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FOLLOWING THE MONEY JOURNEY: POOLING, MANAGEMENT AND CHANNELING

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A handwritten signature in blue ink, consisting of the initials 'P.O.' followed by a stylized, cursive signature.

Neuchâtel, le 11 novembre 2024

Le doyen
Loris Petris

ABSTRACT

This dissertation aims to deepen our understanding of financial flows within the context of asset management capitalism. Moving beyond traditional mappings of capital movement, it emphasizes the need for an analytical approach that integrates the practices, strategies, and scales at which asset managers operate. By focusing on how asset managers pool, channel, and invest capital, this framework reinterprets "following the money" to highlight their influence on financial geographies. Positioning asset managers at the core of financial flows, this dissertation argues that their actions reshape the broader landscape of financial flows. The proposed "Following the Money Journey" framework delves into the tacit knowledge and decision-making processes underlying these flows, incorporating perspectives from the Global South and the commercial real estate market. This work contributes to financial geography by providing a more comprehensive lens on asset managers' roles in shaping global capital flows, advocating for a qualitative shift in how financial actors and their impact on spatial flows are analyzed.

Key-words: asset managers; asset management capitalism; money flows; real estate market; financial geography

RÉSUMÉ

Cette thèse vise à approfondir notre compréhension des flux financiers dans le contexte du capitalisme de gestion d'actifs. En dépassant les cartographies traditionnelles des mouvements de capitaux, elle souligne la nécessité d'une approche analytique intégrant les pratiques, les stratégies et les échelles auxquelles opèrent les gestionnaires d'actifs. En se concentrant sur la manière dont ces derniers regroupent, canalisent et investissent les capitaux, ce cadre réinterprète la méthodologie de « suivre l'argent » pour mettre en évidence leur influence sur les géographies financières. En plaçant les gestionnaires d'actifs au cœur des flux financiers, cette thèse soutient que leurs actions remodelent l'ensemble du paysage des flux financiers. Le cadre proposé, intitulé « Suivre le parcours de l'argent », explore les connaissances tacites et les processus décisionnels sous-jacents à ces flux, en intégrant des perspectives du Sud global et du marché immobilier commercial. Ce travail contribue à la géographie financière en offrant une vision plus complète des rôles des gestionnaires d'actifs dans la structuration des flux de capitaux mondiaux, et en préconisant une évolution qualitative de l'analyse des acteurs financiers et de leur impact sur les flux spatiaux.

Mots-clés : gestionnaires d'actifs; capitalisme de gestion d'actifs; flux financiers; marché immobilier; géographie financière

RESUMO

Esta tese visa aprofundar nossa compreensão dos fluxos financeiros no contexto do capitalismo de gestão de ativos. Ao ir além das cartografias tradicionais dos movimentos de capital, ela enfatiza a necessidade de uma abordagem analítica que integre as práticas, estratégias e escalas nas quais operam os gestores de ativos. Ao focar em como esses gestores reúnem, canalizam e investem o capital, propomos uma reinterpretação da metodologia Following the Money para destacar sua influência nas geografias financeiras. Colocando os gestores de ativos no centro dos fluxos financeiros, esta dissertação argumenta que suas ações remodelam o panorama mais amplo dos fluxos financeiros. O quadro analítico proposto, denominado "Following the Money Journey" explora o conhecimento tácito e os processos decisórios subjacentes a esses fluxos, incorporando perspectivas do Sul Global e do mercado imobiliário comercial. Este trabalho contribui para a geografia financeira ao oferecer uma visão mais abrangente sobre o papel dos gestores de ativos na formação dos fluxos de capital, defendendo uma mudança qualitativa na forma como os atores financeiros e seu impacto nos fluxos espaciais são analisados.

Palavras-chave: gestores de ativos; capitalismo de gestão de ativos; fluxos financeiros; mercado imobiliário; geografia financeira

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To my grandma, vovó Anna, who raised me to be an ambitious girl.

MEMORIAL

This is the journey of someone who wants to understand finance. I began this *chapeau* a few minutes after finishing a chapter of Brett Christophers' book describing the three largest asset managers in the world who invest in real assets: Blackstone, Brookfield, and Macquarie. Whenever I read about the financial market, its structure, modus operandi, growth, and so on, my eyes widen, and my thoughts flow endlessly. It is almost a bodily response, like adrenaline and serotonin flowing through my body. That is why I started writing this at this very moment.

Writing in the first person and using an academic space to reflect on my research seemed like a tempting challenge and, under no circumstances, a sacrifice. That is because I love what I do and research. This is also because talking about what I research means talking about myself in many ways and letting out through my writing a mixture of self-knowledge and self-criticism about who I am and who I have become. Without fear of retaliation, doubts, or criticism from others, talking about what I research and why I research is admitting to a certain level of ambition.

My research path gradually aligned with my ambition to understand complex subjects. I could not say when my desire to understand the financial markets emerged. Perhaps that was when I decided to study economics in high school. Perhaps after listening to my partner for many years comment passionately on what happened in his daily life inside the financial market. I remember always thinking economics was fascinating but also out of my league. Therefore, I began to accept and grasp an old interest by bringing it into my routine and having a teacher who was not so didactic and patient but available and loving. His availability and affection, then, opened up possibilities that seemed impossible for me to explore.

In this memorial, I first reflect on how I came to study the commercial real estate market and financial investors. I then briefly describe my master's degree experience, emphasizing the first discoveries related to the field of research and reflecting on how my identity as a researcher slowly matured during this period. After this recap of the master's period, the memorial continues with my transition to the Ph.D., which involved finding an identity as a researcher and experiencing difficulties along the way. Finally, I end my memorial by briefly reflecting on the PhD period and giving my opinion on the results I achieved.

The beginning

When I started my studies for my master's degree, I read the book from Prof Mariana Fix's master's dissertation, which studied the property boom in the Faria Lima area of São Paulo, and discovered the intense participation of pension funds as investors in this market. Taking the book back into my hands five years after I had first read it, I searched for some notes indicating any connection to what I do and still do today, and I came across some surprising comments. Some are worth mentioning: "What kind of managers are pension funds? What do the funds' property managers do? What role do they play? The point is that the urban configuration extends beyond the analysis of real estate products but through the type of real estate AGENTS (and their actions) that these funds are. (P.137)"; "How do they influence the urban agenda? Method: to observe the means of participation in associations, councils, etc. (p. 136)"; "Do they innovate by having some involvement [with property investment]? Are the investors 'carefree? ". These questions added to the corners of the pages seem to have been answered by me in recent years, but I will return to how I answered them later.

Although my initial questions and concerns already indicated a path that I am following today - much more towards the geography of finance - at first, it was only through urban geography that I could pursue my career. I understand that starting my research with the ambition of doing an urban analysis of pension fund investments in the property market was a way of entering the fray in resignation. I started in the field of research by proposing something that did not seem so aligned to my interests, but that responded to what was expected of me not only in academic terms but also in terms of the expectations of my teachers, supervisors, and academics in my field and country. I remember that proposing an analysis of the decision-making of financial agents - at the time, pension funds - was a secondary objective in the text, but personally, a first step, certainly unacknowledged yet, towards my real desires. I also remember that I was often induced, only with good intentions, of course, to add objectives, bibliographies, and methodologies that geared my research proposal towards urban geography and urban planning themes, such as analyzing real estate developments and urban impacts. Although it did not seem very tempting at first, my unfamiliarity with fields of study, such as

economic geography and, more specifically, financial geography, led me to believe that the suggested paths were the only ones that could be followed.

Still as a special student – in Brazil, this is the status of students who join master's or doctoral classes without having previously enrolled in the courses – I received an invitation to participate in a short discussion with Prof. Daniel Sanfelici. Professor Beatriz Rufino, who accompanied me in the early stages, suggested I try to join because the professor studied property investment funds. While I was still finishing my undergraduate degree, I remember that on the day of the meeting, I had an exam for one of the last subjects I was studying. I asked the subject's teacher to take the exam another time because I wanted to participate in the meeting. And so it was, relying on the influence of fate, that a partnership began.

When I signed up for my master's degree, I applied to four universities with different courses. The most alternative, and had never crossed my mind, was Geography. Still exposing myself to chance, it was thanks to a broken down bus on the day of the test in the university that was my first choice and thanks to a tenth of a mark in the written test that I ended up getting into the Fluminense Federal University.

My first steps in my Master's

It was when I started my master's degree that I had the pleasure of starting a career that has brought incalculable results and an excellent partnership with Daniel. In addition to academic support, Daniel showed me the range of more alluring possibilities that existed out there. It was mainly through contact with the most up-to-date and international scholarship that I found the motivation and inspiration to do research. The desire to study, read, understand, and dedicate hours of my day to research arose as soon as I read articles that were more empirically than theoretically oriented and seemed much more advanced than those I had been reading before. Inspiration also arose when I realized that researchers worldwide had published in other languages and were doing rigorous and relevant research. These studies inspired me with complex objects and dense empirical material.

At that time, especially during the first year of my master's degree, I lacked an identity as a researcher - more concise and aligned with my desires - and a particular security or confirmation that my ambitions, such as publishing internationally, could be realized. The

former, as I will comment below, depended solely on myself. The second, as I recognize it today, came about thanks to a highly supportive advisor who saw and knew how to exploit in me a potential that I believed existed, but I needed to know how or when to start exploring it. Daniel encouraged me and assured me that I could do relevant research from the start of my master's degree and that I should follow my academic ambitions because they were achievable.

At this point, going into the second year of my master's degree, I started publishing articles of which I am very proud. I will talk about them in due course.

The central issue of my master's degree: my identity as a researcher

However, my identity as a researcher was the one that took the longest to find, and for different reasons. Firstly, there was a specific personal resistance to distancing myself from what was expected when producing a dissertation on urban subjects. For some reason, I believed that my dissertation could only be done if it included an analysis that included the urban scale, either by analyzing financial investments in urban space, or by examining the impacts of investments on it, or else by adding any other urban dimension. This narrow vision that I had always forced me to stop a flow of thought that kept heading towards themes that diverged from what I had set out to study. I noticed that I was increasingly interested in discussing, reading, and thinking about topics related exclusively to the global and domestic financial markets and how the geography of finance portrayed their agents and flows. As a way of fitting in this newfound pleasure, at one point, I came to understand my interests in economic/ financial geography as a hobby, something I could explore sporadically but which, although I enjoyed it, could not become the core of my research.

My resistance to assuming an identity as a financial economic geographer is, as I see it today, multi-layered. "Getting rid of the urban" was what I wanted to do and what I faced the most resistance to doing. The first resistance stems from my caution in tackling a field of research that is still very limited in my country. Because of this, my advisor always pointed out that this change of direction could be accompanied by less acceptance of my work in Brazilian academia, making it difficult, for example, to find a position and take part in national research networks.

The second resistance, which I have now worked out and no longer see as a limitation, concerns the need I believed existed to provide a certain type of "critical tone" to my research. This resistance, despite being very particular to my educational process as a researcher, echoes different issues that, in my opinion, can reveal some interesting aspects of the field of financial geography itself.

It was during the writing of this introduction that I realized that until today, I instinctively relate the "critical tone" of my research to understanding the urban dimension of the processes I study. In other words, understanding the actions of financial investors, their decision-making, and the different criteria underlying their decisions seemed insufficient for academic research. This was because I took it as an absolute truth that the research I produced unquestionably needed to generate a broader, usually Marxist, critique of capitalism, financial actors, and financial investments and that this critique would only come about if I related the processes I was studying to whatever "the urban dimension" might be. These two beliefs that I held – 1) that I needed to produce research with a with the "right" critical tone and 2) that I would do this by connecting the subjects I was studying with any urban dimension of these phenomena –, were the main limiting factors in my growth as a researcher and, more specifically, in my identity as a researcher. However, why did these beliefs exist?

Why did I believe that the critical tone of my research would only emerge if I related the phenomena I was studying to urban impacts or dimensions? The answer to this question appeared at the very moment I set about writing this introduction. At that moment, I realized that I have a great difficulty in understanding financial geography (as a field of study and network of researchers) as a critical discipline. Of course, this personal difficulty cannot be understood as an absolute truth or a personal criticism of the field but rather as a constructive provocation I am making to myself now. Thus, the research I have had contact with since my master's degree, despite not understanding the whole field and its diversity of themes, has never provided me with the same range of critical interpretations that I saw in the field of urban geography very often.

Whereas financial geography offered, in my view, few critical interpretations, urban geography offered me an excess of them. These interpretations, in my view, often seemed unfounded and the result of extrapolations of arguments and empirical results that appeared to

necessarily lead to reductionist and generic conclusions such as "financial capital produces unequal cities," "the poorest are the most affected by the phenomenon," "this financial instrument was designed by capital and only serves capital," among others. These simplistic conclusions that urban geography often provided during my training were due to the overuse of Marxist political economy theories that tend to reduce rich empirical cases to macro-structural explanations – such as the still widely used dependency theory. This kind of interpretation has always disturbed me as a researcher because although I recognize that many of the phenomena we study are constrained by macro-structural dynamics pertaining to the formation of our capitalist world system, I believe that much material can be found when we go beyond structural explanations, that is, when we look closely at the case and try to understand it beyond its position within this global dynamics. There are many peculiarities, answers, questions, and dynamics that are revealed when we analyze our empirical material without tying ourselves to macro-structural explanations and, even more so, without forcing ourselves to trace an argumentative path that necessarily culminates in a conclusion that reinstates individual principles and political positions that I imagine many of us researchers share: that inequalities, in their different expressions, must be questioned and combatted.

Once I found myself at this crossroads, I began to wonder how to produce research with a "critical tone" without becoming an urban geographer. The attempts were many and, as I admit, unconvincing for both me and my peers. I tried at all costs to relate the topics I was delving into to some future research agenda that would answer their possible urban impact. I published several articles in which I had to conclude that, for example, the decision-making criteria used by pension fund managers about their real estate portfolios would generate urban impacts since they led them to choose prime properties located in the main Brazilian cities. Whenever I said something like this, I intentionally added that this would be a future research agenda.

I looked for different ways to avoid such type of critical analysis of the processes and agents I was studying until I realized that there is room for all kinds of researchers: those who need the space of academic research to reinforce underlying principles of social justice and transpose personal struggles and beliefs into this space; and those, like me, who, despite wanting a more equitable world, do not think such political principles should directly guide research practices - Although, as a member of society, I am critical of many of current society's

problems, such as sexism, social inequality, poverty, injustice, etc., my research seeks to answer questions that are triggered by my curiosity about how the world functions and, even more so, to satisfy my desire to understand issues that I consider relevant, without necessarily advancing an explicitly normative interpretation of these processes.

It is essential to emphasize at this point, not as a way of justifying my choices, that regardless of whether you decide to use academic research as an instrument for promoting social causes, conducting research is, in itself, highly political. The topic you choose, the way you conduct your research, the methods you choose, the bibliographies you read, and the way you behave as a researcher say a lot about who you are. As well as someone who seeks to understand complex subjects out of personal ambition, I am a person who seeks to find space daily that would not be mine if I did not make an effort. Even before I started my master's degree, I presented my research idea, which was still in its early stages, to a group of professors. After stating that I wanted to understand how financial agents reflect when they make their investments, a professor questioned how "feminist" my goals were (since I was a woman). Despite risking being perceived as bold, I replied that seeking to understand financial agents and financial markets is a feminist and political position in itself.

The financial market is an environment of gross gender inequality – less than 2% of Brazilian women invest in the stock market; only four women chair the 447 listed companies in the country; only 7% of financial portfolio managers are women, and so on (Gimenes, 2023). And not only are the financial markets globally male, but research on the subject is also predominantly conducted by men. According to data from the Financial Geography Network, only 1/3 of the group's members declare themselves female (Fingeo, 2024). Joining a research topic and a network of predominantly male researchers is a political position of confrontation to guarantee the space for a young woman.

The transition to PhD

My transition to the PhD was a crucial moment in this exercise of following the path of financial geography. As many of the professors who accompanied me during my studies stressed, at that time, I was expected to tackle the urban research agenda that I had set out as a future direction for my master's research. I had a certain resistance to admitting to myself and my

peers that my research interests were moving further and further away from addressing an urban political economy perspective on the actions of financial investors in the urban space on urban financialization.

Even though I was reluctant, I wrote a PhD project that I am still very proud of. I am proud of its quality, proposition, and of the significant autonomy I enjoyed in developing it. Of course, many investigative propositions emerged from the years and the partnerships I had developed with other researchers, especially Daniel. Even so, my Ph.D. project is my own creation and encompasses all my research questions. I have belief in my research agenda, and it is because of this that, even through difficult times, I have continued my path as a researcher.

It was during the transition to my doctorate that I developed a severe chronic anxiety crisis. The uncertainties about my future and the lack of stability in my position made me question the extent to which the path of academia was sustainable for me. A series of events involving, for example, denials of grant applications to different institutions and institutional difficulties consumed my days with bureaucracy, pressure, and subsequent negative responses.

My professional life has always driven and guided me. If I am in good shape professionally, any other relationship I have, be it romantic, with my family and friends, or personal, is put into perspective. That said, it was during this period of great uncertainty that I carried with me a constant feeling of anxiety at not being able to evolve in the way I had planned and envisioned. During this period, however, I never doubted my quality as a researcher, and fortunately, today, I am close to obtaining a doctorate.

An upside-down PhD

The PhD experience has lasted two years so far. Unfortunately, I cannot say that the experience I had so much planned and envisioned has turned out as I had hoped. I always imagined myself working with different colleagues and professors in a large international institution and developing intellectually at lightning speed. I always pictured myself being intellectually challenged every minute of my day and making professional growth.

As the very beginning of my doctorate already indicated, nothing I had imagined happened. For the first time in my adult life, I found myself in a situation that was not comfortable for me. I spent most of my Ph.D. frustrated by the way things turned out. I had not

been able to get funding for my research, start an international career, or, in some way, experience that great moment of intellectual learning that I had planned.

Learning to cope with this non-ideal situation was undoubtedly a great lesson. I would be lying if I said I would not have preferred things to have turned out differently. However, learning to accept and deal with the situation was a great lesson for someone who, like me, expects to be in control of life situations. Furthermore, during the reverse doctorate, I developed a great capacity to deal with unplanned paths and accept and make the best of the situations I found myself in. This lesson has reverberated in many aspects of my professional and personal life.

The results

At the outset, this research aimed to identify how players in the financial industry who manage alternative investments, in their diverse types, are linked to Brazilian pension funds. I hypothesized that this industry has sought to gain traction by attracting institutional capital.

Although I had proposed starting this research with a focus on real estate investment – a topic I have been working on since my Master's degree – and then expanding to other industries – private equity, infrastructure, and ESG – throughout the research endeavour, I decided to focus almost exclusively on the role of asset managers as emerging intermediaries in real estate investments. This was necessary and reasonable for different reasons. Regarding the need to pursue this focus, during the course of my Ph.D., I was linked to the research project "Investidores institucionais e intermediários financeiros no mercado imobiliário comercial: uma tipologia analítica das práticas de investimento e seus impactos territoriais", coordinated by my co-advisor, Daniel Sanfelici, which aims to understand the behavior and investment practices of different institutional investors in the Brazilian real estate market.

This institutional link gave me access to funding to conduct research related to the topic and also access to a research group that provided a motivating atmosphere for researching the real estate market. Concerning the decision to confine my study to the real estate market, only one of the alternative markets that I had set out to analyze, I would like to point out that this choice generated significant results that would not have been possible had I opted to broaden my analysis to include other alternative asset industries. Focusing on the segment of the financial industry that invests in commercial real estate has allowed me, in particular, to gain a

deeper theoretical and empirical understanding of my research questions and objectives and propose a theoretical framework for analyzing the asset managers' centrality in today's capitalist economy. In this case, I was able to set the framework I call *Following the money journey*. Unlike the theories and analytical frameworks proposed by researchers in the field of urban studies and economic geography, the framework I am developing here has the potential to capture the *pathways and routes* of financial capital, by considering how asset managers attract and pool money, how they manage this capital and, finally, how they invest it.

How the idea of a framework emerged

Proposing a new theoretical framework blending the theory of asset management capitalism and the "follow the money" method came as an accident. Unlike many dissertations that follow clear research proposals, methods, and inclusion in a comprehensive research project, my dissertation did not emerge from a clear perspective on how I could connect the papers I was writing. Despite being lost on how to make a good dissertation, I am now quite satisfied with finding a way to connect my papers and proposing an interesting framework. In this short section, I will explore how my trajectory and some unpredictable events led me to this result.

In the first part of this memorial, I explained how I ended up studying the financial industry. Here, however, I intend to navigate through how my specific research topic arose: asset managers and, especially, REITs.

Even though it was not a deliberate choice at the beginning of my study, Real Estate Investment Trusts (REITs) became the asset managers that followed me during my formation. Their practices and strategies unexpectedly emerged at the heart of the research questions I had initially posed in my research trajectory. At the beginning of my Master's, I realized REITs had an increasingly important role in shaping how pension funds invest in the real estate market – this was the starting point for considering the pooling of money as a stage in the framework. I noticed that unusual regulatory changes and intense work in building networks with pension funds were affecting the investments in properties made by pension funds. It then dawned on me that an interesting research agenda could come from a focus on the participation of REITs in changing the money flows.

As I showed in my thesis, though, REIT management rationalities differed considerably from the ones mobilized by pension funds. Even though there was intense work on the side of REITs, pension funds remained reluctant to adopt REITs' management practices. This helped me to study stage 2 of the framework, in which I delved more appropriately into the strategies and rationales that guide investments of different landlords in Brazil. Confirming the hypothesis raised in the Area Development and Policy article, financial investors cannot be considered "one and the same." This hypothesis revealed that an interesting research agenda could be explored.

During this project, COVID-19 hit, and REITs were again in the spotlight. At that moment, the changes in the discourses of asset managers brought to my and my peers' attention another breakthrough event. As we discussed in articles 3 and 8, their efforts in creating new assets (logistic warehouses) to keep the industry growing were aligned to the strategies pursued in attracting "new money" (coming from pension funds). However, acting on the other side of the flow, their actions changed the channeling of investments – now landing in logistic properties.

Hence, all the movements REITs have taken, as well as the way they were behaving, prompted me to elaborate on the three stages in which money flows through asset managers' *active* hands. The stages I will explain in the next part of this dissertation are connected with my research trajectory in the following way. The first one, the pooling of money, arose from observing the sustained effort made by REITs to attract money from pension funds. The second, the management of money, came to me when I observed that despite the hard work on REITs' side, pension funds remained skeptic about adopting different management models, which confirmed that different actors behave distinctly from one another. Finally, the third stage, the channeling of money, combines, as the final one, the pooling of money and management strategies and how these two result in where/when and in what the money flows arrive.

Following the money journey: pooling, management and channeling

1. Introduction

The call to understand money's flows and circulation is not new. Nor are the numerous attempts to approach this question empirically. Following the money as a methodology arose from this call. Starting as a broader call for a conceptual and theoretical understanding of money flows, following the money has increasingly been reclaimed as a methodology of analysis on its own. Following the money is, therefore, viewed as another application of "follow the thing" methodology, whose main function is to map things in space, from papayas (Cook, 2004) to firms (Brill & Özogul, 2021) and data (Akbari, 2020). This methodology was quickly incorporated by academics and non-academics¹ alike as a tool for mapping capital flows across space.

Despite the constant efforts to interpret money as a commodity that flows in space, many empirical studies that use this methodology fall into the trap of using "naive theoretical conceptions of the world of finance": "all they [the studies that have sought to map global finance] have done is mapped and correlated [money flows with] macro-scale indicative variables" (Clark, 2005, p.2). Tight with this, as accurately stated by Pryke (2006), the study of money flows often misses out on the important processes and practices that shape them. In the author's words:

Flow and circulation [of money] do not quite capture the entanglement of time spaces that accompany the motion of finance and the traffic in financial instruments. As analytical concepts, they join the story halfway through as it were; they miss out on the formative stages, *the processes and practices that shape and generate the money flows* and circulation (our emphasis, p. 63)

¹ See for example Mundy et al. (2024) for the use the method to highlight why a company in particular, Peru's State oil company, issued US\$ 1 billion in bonds in 2021; The Economist (2023) for the use of the method to exemplifying how rich and poor countries benefit from remittances' flows. Other examples use the term "Following the money" to address other issues that do not relate with the methodology itself (see for example: The Economist, 1998, 2002, 2010)

Another relevant critique is the need for a theoretical proposition encompassing the case studies developed within the methodology. As I claim in this dissertation, despite the skeptical view of geographers and social scientists on the use of generalizing interpretative tools, such as typologies and frameworks, it is helpful to economic geographers to resort to abstractions that can help us delve into case studies by following certain *analytical* steps. Then, I insist that a framework can work as a tool to analyze case studies in their peculiarities. The tool is not a model but a way to organize and interpret empirical findings, grounding them in broader theoretical propositions. As Clark (2005) warned almost 20 years ago, “a research program in the geography of finance must be able to propose a *larger overarching conceptual framework for investment management*”².

Here is where my dissertation takes place. The framework I develop here can be understood as a theoretical statement that combines empirical evidence with a conceptual proposition that seeks to re-interpret the methodology following the money (Christophers, 2011). Unlike other studies that claim to use the methodology, here I have a different understanding of how this strategy of following things can be pursued and theorized more broadly. I understand that “following the money” is not only about *describing and tracing where and to whom money is leaving and going, i.e., flowing in space*. Instead, I see the need for: (1) interpreting and profoundly analyzing the different scales through which money flows, as well as the rationalities and path-shaping strategies deployed by financial actors; (2) understanding and analyzing not just money as a “thing” but also the tacit knowledge that flows through and facilitates the transactions mapped and (3) distinguishing the different characteristics of the actors involved in the flows, being aware of not only “labeling” them in categories, but also putting under perspective how those characteristics shape their pooling capabilities, their channeling choices and their management networks. These three propositions take into full consideration the expansion of the original method into a framework designed to interpret the practices and power of asset managers. Then, my aim in this reflection is to answer, in some

²Even though Gordon Clark (2005) called for the necessity to create a broader framework to understand investment management by considering pension funds as central agents in the management of money flows, his article “Money flows like mercury” states that global finance’s essential component relies on who has the power to pool and channel money. Putting under perspective the evolving nature of capitalism, nowadays it is not pension funds but asset managers firms that have this capacity to pool, management and channel money (Braun 2021).

way, how the practices and actions of asset managers have the power to shape money flows and what it means to the field of financial geography to consider this.

The choice to put asset managers at center stage is deliberate. First, there is a methodological reason I followed, as it would be unfeasible to cover all financial actors that participate in the flow of money. Moreover, theoretical reasons also drove me to this choice. As many studies in economic geography suggest, there is an evolving process in which central agents play a key role in controlling money creation and flow. In other words, finance – as an institution that is responsible for setting money (and its imagined futures) in motion between actors (Crevoisier, 2024; Beckert, 2016) – is enduring. However, the positionality of the players that assume control of finance is constantly changing.

In recent years, it has been argued that asset managers hold this nodal position in global finance (Gibudallina, 2024; Braun 2021). They are able to manage big data, specialize in different asset classes, and increasingly pool money from asset owners (such as endowments, family offices, sovereign wealth funds, and pension funds), distinguishing themselves from other financial actors, such as investment banks (Clark, 2024).

Following the interpretation developed in partnership with other researchers (Magnani et al., working paper), focusing on asset managers provides a powerful analytical lens to expand our understanding of financial markets. Recalling the theory of asset manager capitalism (Braun, 2021; for similar, see the concept of asset manager society from Christophers, 2023), asset managers have positioned themselves as the financial market's gatekeepers, assuming strategic positions in managing and channeling financial capital across the time and space. Acknowledging the need to add deeper layers of understanding on how money flows through space and time in asset management capitalism, I propose this new framework that advances the methodology of "*following the money.*" I hypothesize that to grasp how money flows in space, financial geography studies need to go beyond the simple "tracking" of these flows. I suggest, then, a more profound way to understand how asset managers' decisions shape money flows by considering the actions these actors take from the attraction and pooling of money up to the management and investment of this capital.

In this chapeau, I cover three main theoretical aims: 1) to position my research within the theoretical perspective on asset management capitalism, adding global south perspectives;

2) to challenge the "follow the money" methodology and propose a qualitative framework to study the flow of money; and 3) to contribute to the agenda on the financialization of commercial real estate market by explaining how the three stages of the framework can be applied to that industry. I hope that by covering these theoretical aims, I am able to shed light on the importance of understanding capital flows in space. Believing that I made considerable advances in developing my empirical results in articles, here I chose to put forward theoretical propositions based on my research.

My dissertation is organized into five sections and one appendix. In the first section, I put forth my three main critiques to the following the money methodology. They are, basically, that we need to go beyond the mapping of flows, that we need to consider money in its different forms, and that we need to interpret, more than simply label, the agents that participate in the flows of money. Following this section, I expose my theoretical proposition on how to study money flows in asset management capitalism. The third section connects the articles composing this thesis and the framework "*Following the money journey.*" In section four, I bring methodological insights and propositions about "how to study asset managers." Beyond simple descriptions of methods, I use this section to disclose some of the challenges I faced and reflect on how I have built knowledge. Following all of these sections, I make some final statements and reflections and bring to the discussion my future aims for this research. Finally, in the appendix, the reader can find the eight articles that compose this thesis.

2. THREE CRITIQUES ON "FOLLOWING THE MONEY" METHODOLOGY

Before moving on to my theoretical proposition, it is worth reflecting on the "following the money" method. More than presenting the method itself (see Christophers, 2011), I choose to shed light on the main critiques I have developed about this method. There are three. First, as financial geographers, I argue that we must go beyond mapping, facing the challenge of interpreting the flows mapped. Second, the methodology would have a more significant theoretical impact if different forms of "money" were traced. Here, I work with the concept of tacit knowledge (Gertler 2003) to show that money is much more than monetary transactions. Third, I argue that, in order to interpret the money flows mapped by the method, we need to go beyond the simple categorizing – or, as I prefer saying, labeling – the actors. Therefore, I

propose that we need to go deeper into the characteristics of the actors that participate in the flows of money to understand why its design is the way it is, i.e., why certain actors and not others participate? Why do the transactions flow from one way to the other? Etc.

All these critiques were based on an intense reading of the theoretical and empirical scholarship that claims to use the methodology, such as Hugues-McLure's (2022) extensive review of the use of the methodology, as well as Burns et al. (2016), Bassens et al. (2018) and Lima (2022) research on housing markets. However, as Hughes-McLure (2002) already noted, finding a study that adopts “a follow the money methodology to actually follow the money” proved impossible. It is essential to say that my criticism is in no way targeted at the studies I have read that either use or propose the methodology. On the contrary, I believe that these studies had the potential to show, for their specific case studies, how the application of the methodology was effective in drawing conclusions about the topic studied. However, I would like to emphasize that my critical comments here are intended as a contribution to the use of the methodology, expanding it into a theory that allows for an even more in-depth analysis of the flow of capital through space.

My critique and propositions are also grounded in my theoretical background in relational and institutional geography and my training in qualitative studies. Relational approaches (Dicken & Malmberg, 2001; Yeung, 2005; Bathelt and Gluckler, 2017) regard money flows as embedded in webs of relationships among the actors (not only those that participate directly in the flows traced but also those that indirectly change them despite not being involved in the transactions – see second critique). At the same time, the institutional (Martin, 2017) and evolutionary (Boschma & Frenken, 2009) approaches bring to the analysis how actors and institutions (firms, government, regulation, social rules, routines, etc.) interplay, interact, and mutually coevolve, thus changing the institutional forms that shape actors' relationships and, in some way, money flows.

Finally, methodologically speaking, my critique on the following the money methodology is to be expected. Having a background in qualitative methods, I find it difficult to accept interpretations based solely on quantitative data and analysis. It is clearly a personal preference to study money flows in a manner in which the data, the mapping of flows, is specified and contextualized, showing the players' relationships and agency power.

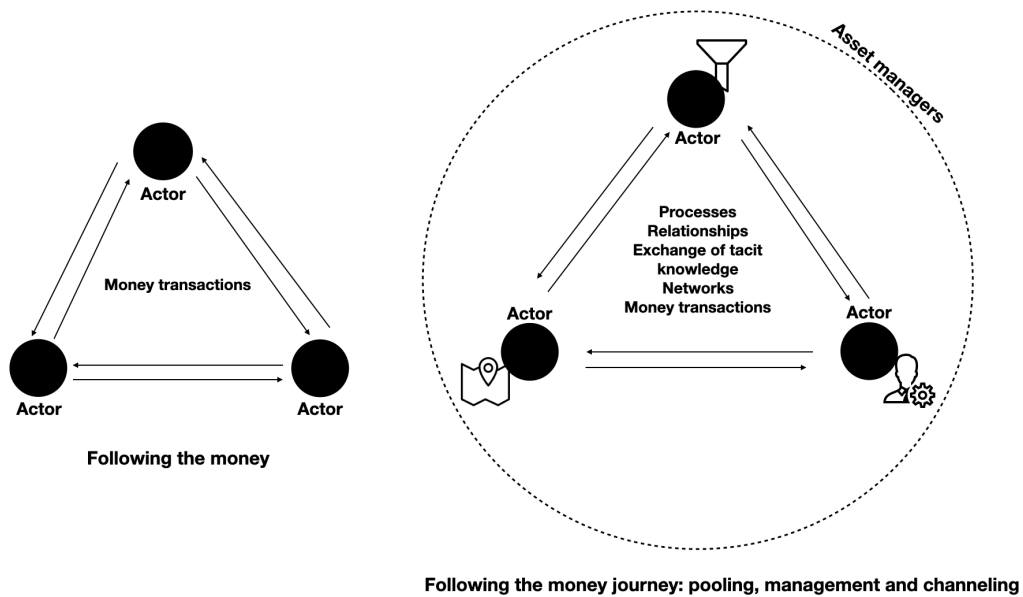
Having made this short digression, I now present my three main critiques regarding following the money methodology.

We need to go beyond mapping

My first concern is directed at studies that conduct the “following the money” methodology by only mapping transactions and identifying actors in a particular case study. Despite my clear admiration for following the money as a methodological approach – especially the types of material analyzed and quantitative analysis carried out – I think that mapping and showing agents and transactions does not allow us to achieve a deeper understanding of the money flows and the power and social relations embedded in them. Therefore, I argue for a broader analysis of what it means – in analytical and more general terms – to analyze money flow(s) in space. Article 2, for example, shows that REITs’ strategies for pooling institutional money change the directions taken by money flows, leading to the concentration of money in space and in the hands of a few agents.

The proposition I make here, thus, is to understand the money flows by including the understanding of what I call the money *journey*. The journey of money includes more than the transactions and the actors who participate in the day-to-day, coming-and-going of a specific commodity in space and time. In theoretical and relational terms, the money journey represents the phases encompassing a large part of the transformation of things into money. In other words, it is not sufficient to *quantify, inform, and map the distribution* to reveal the intrinsic social and power relations between the different actors who participate in what we call the money flow. In sum, understanding the flow of money involves developing a framework that grasps and explains the phases (pooling, management, and channeling) through which money passes and the transactions and actors involved. (See Figure 1)

Figure 1: Comparison between the mapping of money flows



Source: own elaboration

It is important to note that although the articles on the subject (see, for example, Hughes-McLure, 2022; Lima, 2022) map actors and the transactions between them, there is no clear indication of what these processes mean in theoretical terms. Theory, therefore, allows us to clarify the potential that Christophers' proposed methodology has in becoming a theory that reveals *processes* (and not just flows) involved in the circulation of money in space and time.

Still on this critique and proposition, I believe that the "follow the money" method needs to consider more seriously what I think is the most suitable ontology for the word "money" in social studies nowadays – that money is a social relation itself, a "thing" that is embedded in the social, and that requires strong consideration in the context of the society (see mainly Ingham, 1996, 2004; Zelizer, 1989). While this disclaimer is often made in studies aiming to understand money concentration and flows (Hugues-McLure, 2022), I kept asking myself where this ontological definition is fully considered. The lack of qualitative methods as a principal method does not allow us to fully grasp how money is, in fact, embedded in the social context and works as a social relation itself. Explanations of how money is embedded in social relations and society as a whole do not flourish from "quantifying/informing/mapping" (using the vocabulary often used in the articles) the actors and transactions of an industry or asset (see Hugues-McLure, 2022) or commodities (Christophers, 2011; Cook, 2004). In reality, understanding the flow of money goes beyond cataloging money trades and transactions; it also

involves analyzing how, why, and *through which phases* money passes in its journey (pooling, management, channeling) that *affect and result* in money flows. Finally, even though the methodology of following the money posits that money is not a common *thing* (commodities, products that compose a wealth chain), it often uses the exact simple mapping of a *thing* flowing between actors and places.

We need to understand money in its different forms

Different forms of capital can be transacted through the “flows of money.” I claim that the framework I propose here has the potential to bring into light different forms of what can be considered the transactions along the “flows of money”. The potential in the methodology of following the money is partially squandered by reducing it to mapping (or at least giving greater emphasis to flows that involve a superficial grasp of what money/capital is). The transactions mapped involved mainly these “things”: credit, financial instruments, bonds, payments, fees, heading transactions, and interest payments. However, a consolidated field of research in economic geography includes the circulation of data, knowledge (Bathelt & Henn, 2014; Wei et al., 2011; Inkpen & Tsang, 2005; Clark & Monk, 2014), evaluation techniques and metrics (Chiapello, 2020), calculations (Callon (1998), standardization (McKenzie (2006) and so on, as essential *capitals* that embody and shape the economic/financial transactions between actors.

Calculations help decision-makers arrange and order possible choices and actions to be executed in the future. It encompasses not just valuation techniques (like tracking indicators of market trends) and financial metrics (such as market benchmarks), shared in professional circles, but also ideas/images of an imagined future (Beckert, 2016). Performativity and standardization are important dimensions that emerge from the use of these techniques and metrics and shape economic action. Standardization is nothing less than the action of turning materialities invested into tangible numbers that allow comparison – particular assets and materialities become “just another asset class” (Van Loon & Aalbers, 2017). Meanwhile, performativity is an essential feature that explains how the financial logic embedded in certain techniques and knowledge overflow from inside the financial domain to the outside society.

Concrete examples of these forms of knowledge and how they are managed and disseminated in financial activity are: the creation of benchmarks that allow an asset and its

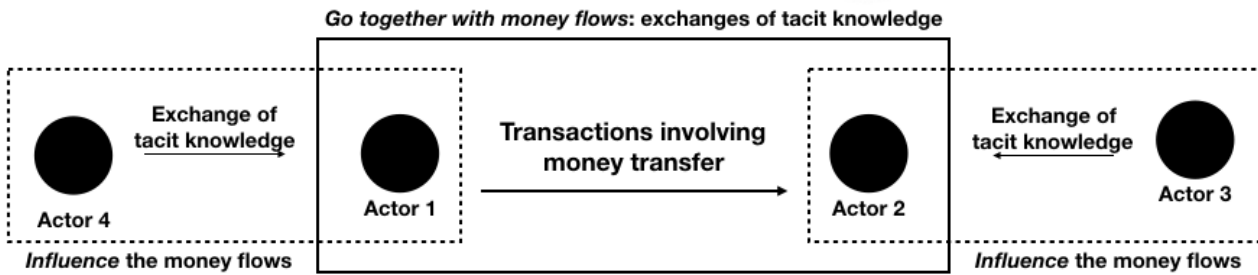
future returns to be compared with other assets (this enables a tangible analysis of which investment to make); trading desks as a materiality that illustrates this flood of quantifiable and standardized information – traders on these desks are inundated with figures that allow them to make a quick decision on an investment; discounted cash flow is an evaluation technique that also circulates as knowledge, being now one of the most used techniques for appraising the value of assets (Chiapello, 2020). In a less tangible dimension, rationalities that prevail in this knowledge exchange between financial agents are often shared in informal moments, such as over coffee breaks and lunch. The interpretation of a trading desk operator is easily shared in these informal moments. This induces the circulation of an imagined future (Beckert, 2016) that can lead to herd behavior for the players who share in this network.

All in all, these types of knowledge can be usefully analyzed with the concept of tacit knowledge (see Clark, 2018, for how the knowledge and interpretations of the financial market shape knowledge management). As Clark (2024) proposes, the labor to acquire and possess all these “ingredients” forms the “magic sauce” of asset managers.

Coming back to my claim, I stand that the methodology of “following the money” fails to clearly demonstrate that, along with the flows of money seen as “things,” tacit knowledge exchanges are deeply intertwined with money circulation.

In this way, by deepening the understanding of the phases through which money passes, structurally speaking, such a framework makes it possible to achieve a more profound understanding of the different types of tacit knowledge that (1) *go together* or (2) *influence* money flows. *Going together with money flows* means that a money transaction – from one actor to another – harbors exchanges in the form of decision-making criteria, knowledge, data, and financial techniques. *Influence the money flows* means that beyond the money transactions mapped, the exchanges and transfers of knowledge, data, financial techniques, etc., strongly shape the direction of money flows, explaining the path and between whose hands money moves. (See Figure 2)

Figure 2: Transition of tacit knowledge that (1) *go together* with money flows and (2) *influence* money flows



Source: own elaboration

I used both interpretations explained above in different articles composing this dissertation. Even though I did not map the transactions as the “following the money” methodology recommends, I dug deeper into understanding the relationships that shape money pooling, management, and channeling. With that, money flows are interpreted in a way that goes beyond analyzing transactions of “things.” By shedding light on the relationships and strategies that I faced during my research on asset managers (network campaigns developed by REITs, participation in events of the actors I studied, usage of media and discourses to attract investors and others – see, especially articles 2, 3 and 4), I could make clear that these exchanges of tacit knowledge, even though not involving direct money transactions, strongly influenced in the way money was being pooled (see article 2), managed (see article 4) and channeled (see article 3). These three are related to my goal of understanding how and why money flows the way it does.

In the pooling phase, for example, the efforts made by REITs to attract money from pension funds helped to understand the economic transactions that have been happening between both actors (going together with exchanges of decision-making criteria, knowledge, data, etc) and the non-economic transactions that shaped the economic transactions effected (influencing the money flows). On the other hand, in the management phase, I showed in the article published in the journal *Area Development and Policy* that both money and tacit knowledge exchange also influence the economic transactions in the management phase and the actors involved in it. The flow of money was affected by the financial transactions between pension funds and REITs: the sale of properties in one way and the acquisition of shares in the other.

We must go deeper into the actors involved

While attempts have been made to categorize the agents that participate in the flow of money, following the money as a methodology can nevertheless hide crucial characteristics of agents. Still calling for the de-mystification of the generalizing labeling of “financial actors” in financial geography and urban studies, I come back here to how agents’ characteristics can matter to the flows of money.

Following the money as a methodology does categorize the agents that participate in the mapped flows of money. This is done by selecting a commodity or specific industry as a case study – which limits the actors that need categorizations – and by labeling actors, for example, as “asset managers,” “banks,” “consultancies,” “NGOs,” “state,” etc. However, our study of the firm’s characteristics (see stage 2 of the framework) showed that there are important aspects related to who the investors participating in the money flows are. This impacts especially the understanding of why, how, where, and in what ways specific agents are more likely to (1) channel money to certain assets and (2) establish a management network.

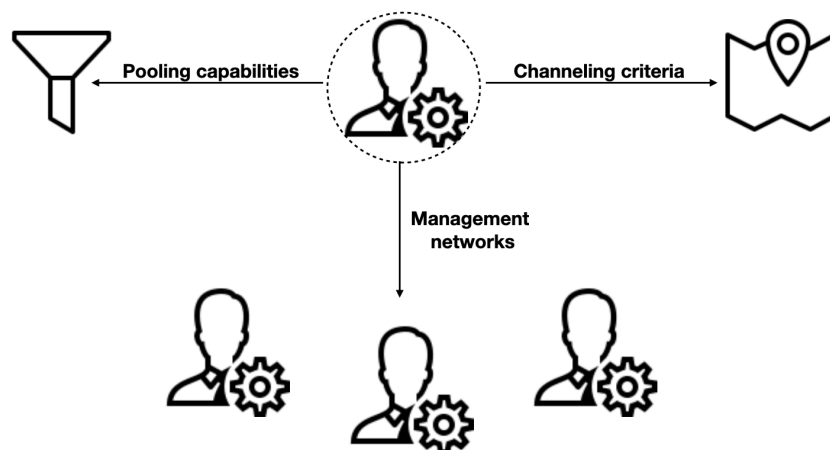
On the channeling side, for example, the analysis of organizational rules and routines has shown that the ownership structure of Brazilian REITs (mainly retail investors) contributes to the channeling of money into assets that generate steady short-term returns. Regarding geography, the money flow finds its way primarily to triple-A offices in good conditions – ready to create steady revenue streams – and in metropolitan areas. In contrast, listed property companies also channel money into medium-sized cities due to their capacity to pool money from institutional investors and easier access to corporate debt. They can, therefore, be categorized as long-term investors because of their organizational characteristics. With this analysis of the financial actors, I could explain why money is channeled to certain geographical areas and certain assets, to the detriment of other alternatives.

Regarding the management networks, we can explain why one flow connects two specific actors, instead of any other agent that participates in the industry studied. For example, we can expect property companies to have strong connections to developers as they aim to channel money into longer-term assets – in this case, not fully developed properties. On the other hand, REITs are more likely to establish connections with several consultancies as they usually do not have in-house personnel specialized in real estate. This is quite the opposite for the case of

property companies since these firms, seeking to participate in the entire real estate cycle to extract rents, have staff specialized in real estate, relying less on external consultants (Shimbo & Sanfelici, 2023). An initial network analysis was conducted by our research group in order to grasp emerging as well as long-lasting business networks. Our findings, in fact, corroborate these hypotheses. We found that the investor's characteristics change depending on whom they establish connections and how they are linked with other actors in a network.

Bringing into view the second critique, i.e. that what flows is not only money regarded as a thing but also stocks of tacit knowledge, we can consider that both the criteria used to channel money into specific assets and the networks established in the management phase within the *journey of money* end up molding the directions taken by money flows (see Figure 3).

Figure 3: Different actors means different pooling capacities, channeling criteria and management networks



Source: own elaboration

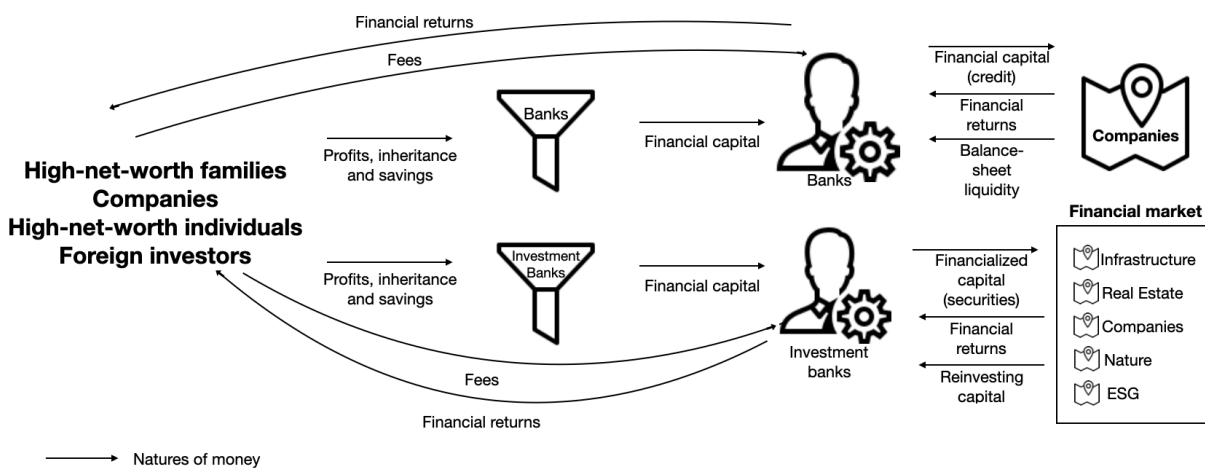
Finally, while I acknowledge that tracing money flows requires a lot of work, especially in collecting data and doing quantitative analysis, it is worth considering that great insights can be generated by understanding the actors' characteristics and how they shape the transactions mapped in "following the money" approaches. With that, the transactions tracked by the methodology of "following the money" are now rooted in a context-sensitive interpretation of the financial actors mapped. My framework takes this into full consideration.

3. THEORETICAL PROPOSITION: FOLLOWING THE MONEY JOURNEY

The framework *following the money journey* was a response to the shortcomings identified above in the methodology of following the money. This new interpretation takes into consideration the centrality of asset managers in originating or (re-)directing money flows.

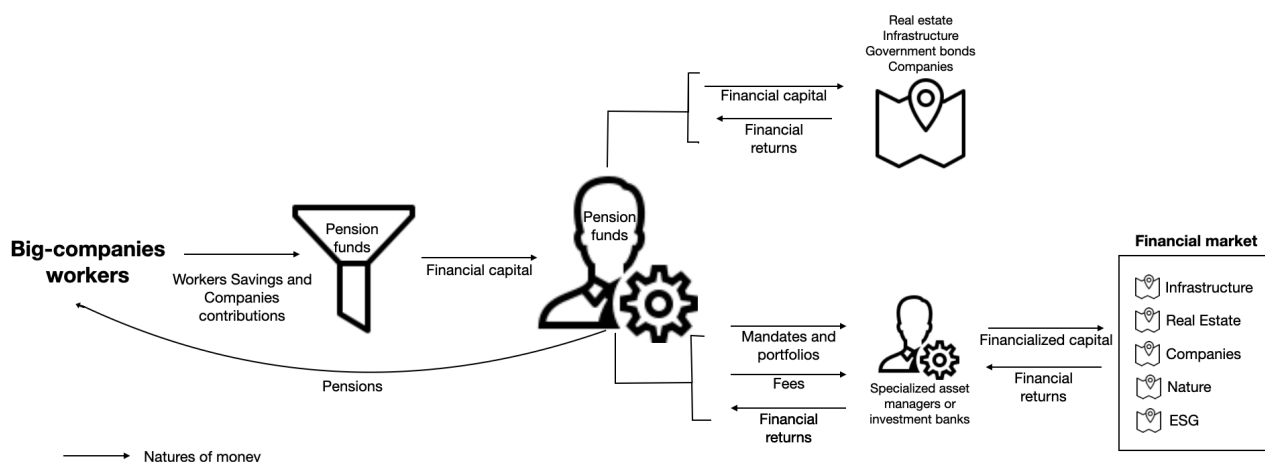
In different periods of capitalism, different actors took center stage in controlling these capital flows. In the 1980s and 1990s, retail banks were central actors, assuming the lead of the financial system by performing, essentially, the intermediation of savings and loans through credit services (see Figure 4). After this, pension funds were claimed as central actors in controlling money flows (Clark, 2000) by investing directly in companies through the stock market (see Figure 5). Afterward, investment banks have become pivotal players in global finance (Wójcik et al., 2018), thanks to the strong desire of pension funds to outsource investment functions; their ability to access information through the use of information and communication technologies; their capacity for self-regulation; and their capacity to operate in foreign financial markets (Wójcik, 2012).

Figure 4 - Banking capitalism



Source: own elaboration

Figure 5 - Pension fund capitalism

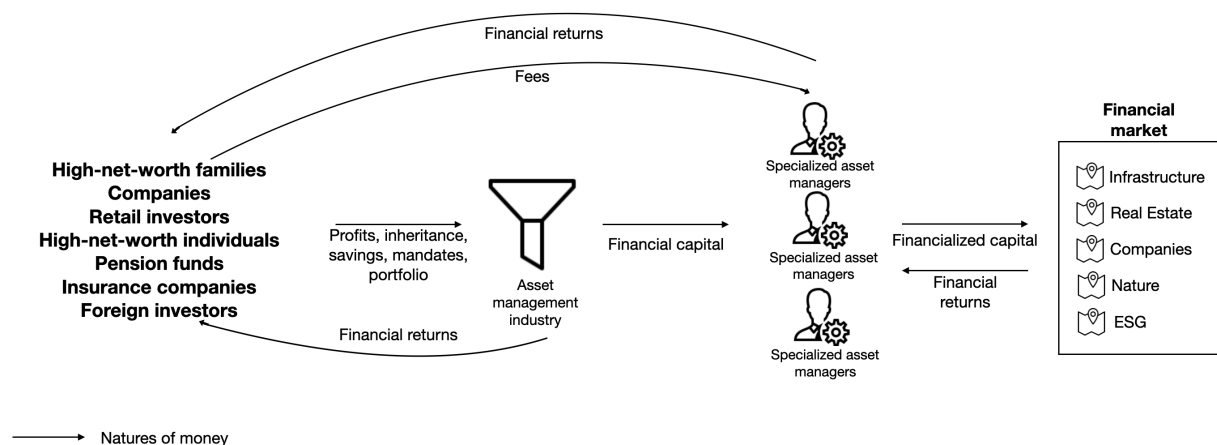


Source: own elaboration

The emergence of investment banks as leading actors in the control of capital flows was accompanied by the gradual rise of agents specialized in managing investments on behalf of third parties. The main difference between these new intermediaries and old finance (i.e. commercial banks and pension funds) is that the former have developed a way of managing money that enables high mobility and liquidity. In financialized capitalism, financial risks and gains are calculated differently from other periods of finance. Within financialized capitalism, firms in the real economy and their revenues are increasingly turned into liquid financial securities, allowing gains to be made by the sequential and rapid action of selling and buying assets. These do not necessarily correspond to the gains and losses generated by the real economy, but rather to the short-term fluctuation of figures (asset prices, benchmarks, interest rates, etc.) and the underlying conventions that embody this economy (Crevoisier, 2024).

Following the development of finance as an enduring institution responsible for setting money in motion between actors (Crevoisier, 2024; Beckert, 2016), the centrality of players who assume control of finance changes over time. Nowadays, scholars claim that asset managers have assumed this pivotal position (for a simplification of how money flows happen in Asset Management Capitalism, see Figure 6) (Braun, 2022).

Figure 6 - Asset management capitalism



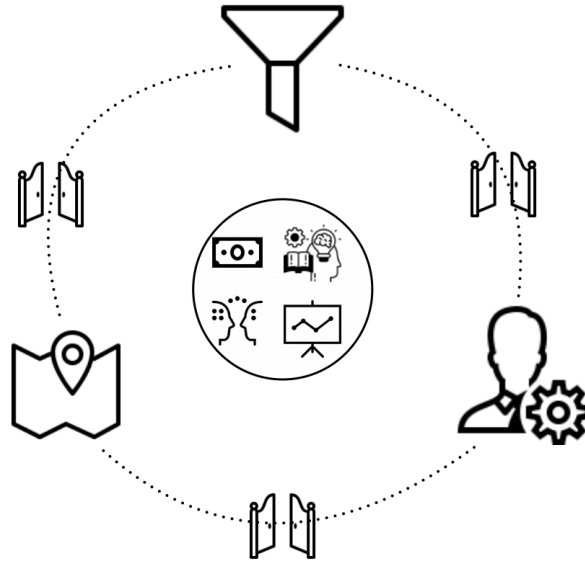
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Asset managers have such a pivotal a role in the current economy because of their (1) capacity to *attract money* from asset owners (being they pension funds and other institutional investors, or else individuals), (2) role in controlling, creating, sharing, standardizing the tools, techniques and rationalities mobilized to *manage capital*, and (3) growing power in dictating in what and where capital is *channeled to*. Unlike investment banks, asset management firms have assumed greater centrality in finance because, as Clark (2024) states, they offer to manage fewer categories of assets, facilitating and optimizing management.

I state that the Following the Money methodology could serve as a tool that offers a *comprehensive perspective on the flows* that characterize the different stages of capitalism. However, the method provides just a topology of money flows. It does not go further into the relationships of the actors that participate in these and that, as I claim, substantially interferes with their dynamics. As such, we must refine the method of "following the money".

By proposing it as a *framework of analysis* that goes beyond the simple tracking of investments, I claim we can gain fruitful insights into *how* and *why* money flows in space (including the actors involved, their relationships, their power resources, and the outcomes of their decisions – where and in what the money comes and goes). These insights generate interpretations about asset managers' nodal position in contemporary capitalism and, in some ways, about how finance works nowadays. As gatekeepers who in some way "open (or close) the doors" along the path from savings until end investments, asset managers exert their central role in coordinating and routing the flows of money (see Figure 7).

Figure 7: Asset managers as gatekeepers






Source: own elaboration

This scheme in Figure 7 represents the three stages in which “*Following the money journey*” is theorized: pooling, management, and channeling. In the center, I represent the conceptualization of money, assembling all types of capitals I consider relevant (see theoretical and methodological insights in “We need to understand money in its different forms”). Finally, between the three stages, there are the gates, which represent asset managers' actions and coordinating activities in gatekeeping the flow between the stages.

At this point, I better explain the stages. In Figure 8, I put together a brief description of them, along with the research questions that each phase raises.

Figure 8: the stages in the framework

			
Definition	Strategies and temporalities in the pooling of money	Practices of management and institutional/organizational relevance	Channeling money in space
Research question	What are the strategies employed by asset managers to pool capital?	How the characteristics of asset managers influence the pooling and channeling of money?	How and why asset managers channel money in specific spaces?
Articles	Economic Geography; Finance & Space	Area Development and Policy; Environment and Planning A	Cadernos Metr�pole; Working paper (submitted)

Source: own elaboration

The framework “*Following the money journey*” encompasses three stages. In the following, I present some general interpretations of each:

Pooling

The first stage, which I call “pooling capital,” concerns the strategies deployed by the financial industry to attract investors. This phase is essential because it allows asset managers to amass capital to manage and allocate across the real estate market.

Relationships matter as much as or sometimes even more than fees when explaining why and how some actors outsource money to others. As our empirical material has shown, asset managers’ actions go beyond establishing fee-based incentives to pool money. They apply four main strategies to lure capital.

First, asset managers have the power to shape discourses to attract money (Magnani et al., 2024). This usually happens because they are constantly under pressure to continue “in the game” in an intensely competitive environment. It is not just a matter of stating “We manage money better and cheaper than others do”: asset managers constantly play with discourses so that their assets are seen as attractive and their management style is admired by asset owners.

Discourses and their constant re-adaptations allow for the continuous attraction of capital. As expected, this requires establishing the right connections with asset owners.

This leads us to the second strategy asset managers employ to attract and pool money: working to build solid social networks on a daily basis. This happens mainly by participating in events and conventions where asset owners are present and also by scheduling many roadshows in potential clients' headquarters (Magnani & Sanfelici, 2023). The power of territorial proximity can be essential in this case (see section *The stages within the space*).

Engagement in policy-making is another key strategy. Policy-making is essential to changing regulations in the sector to make certain asset classes more appealing to asset owners. Regulations that set investment limits in certain asset classes and rules that provide legal framework and security for particular assets are examples of such measures that asset managers strive to tailor to their interests. As research has shown, asset managers can get involved at different levels of regulatory and policy discussion arenas. In addition to discussing directly with regulatory authorities, these actors work in informal arenas to influence the debate agenda within formal regulatory forums (Magnani & Sanfelici, 2023).

Finally, asset managers also promote internal reorganizations to serve new clients and thus attract new money. Our findings demonstrate that asset managers, rather than getting locked into entrenched organizational routines, were keen to change them (Magnani & Sanfelici, 2023) to adapt to new clients.

As my empirical results showed, REITs have been a good study case for understanding what strategies asset managers employ to attract investors. These strategies range from political action to daily networking and demonstrate the centrality of asset managers in the intermediation of financial investment in the real estate market. In Chapter 3, I will explore how, empirically, this phase in the "*Following the money journey*" happens.

Management

Another essential phase to understand the flow of money concerns management. After the money is pooled into asset managers' hands, they start managing it on behalf of asset owners. Now, their everyday management practices are the focus of analysis, as these shape the direction money may take at earlier or subsequent stages.

Risk management and the relationship between risk and return are the core preoccupations at this stage (Clark & Monk, 2017). Despite the ongoing discussions about the power of diversification among prestigious portfolio managers (Kaufman, 2018), Modern Portfolio Theory (MPT) (Markowitz, 1952) continues to be a management guidebook for asset managers worldwide. For MPT, risk, as a variable that cannot be fully controlled but can be addressed by the use of calculative practices, can be better managed by investing in non-correlated asset classes. For an asset to be non-correlated, it must exhibit some different characteristics from other investment alternatives, including: the underlying activity in the real economy that is the focus of investment (real estate, infrastructure, etc.); and the maturity and stage of development of the asset, for example, greenfield developments and private equity investments embody greater risk because financial return expectations are longer-term and therefore more vulnerable to unexpected occurrences over time.

To meet distinct risk appetites and differentiate themselves competitively, asset managers adopt distinct management styles that reflect certain preferences in terms of risk-return. However, we must always bear in mind that these styles are also tied to a series of constraints and opportunities that are typical to each asset manager. Indeed, they manage the resources at their disposal in a way that reflect, above all, the institutional and organizational contexts (at the firm level) to which these actors are subjected.

We can follow three main directions to grasp how an asset manager's management practices can change money flows, affecting both the pooling and the channeling of money.

The first one refers to the rules and routines that change how they deal with money. Some asset managers are subject to stronger regulations due to their nature (private equity firms, real estate investment trusts, listed companies, non-listed companies, etc.) and the assets they invest in. For example, non-listed investment funds are generally not subject to the same regulations as companies listed on the stock market. Because of the regulatory framework applied to them, non-listed funds have more leeway to manage their assets with more extensive discretion than other asset managers. Regarding pooling and its relation with rules and routines, some asset management firms cannot access certain types of investors (usually institutional ones) because they need to provide solid rules and routines that guarantee financial results, cyber security systems, and compliance policies. Moreover, the personnel hired to manage

portfolios must prove credentials that testify to their training in managing financial assets. The routines that involve professional recruitment also matter. An asset owner is careful to observe the staff composition of their service providers. They expect skilled and trained professionals.

Agility in decision-making – whether an investment firm is constrained or not by procedures and decision-making steps – is also a dimension to be considered. Fast decision-making allows different asset managers to be front-runners in the race for attracting deep-pocketed asset owners and accessing investment opportunities. On the other hand, agility can also affect asset managers' ability to pool capital. Windows of opportunity are open for limited time periods. An example of this is entering into investment rounds that are limited to a number of investors. Quick decisions can often determine participation in exclusive and time-limited investment rounds.

Management practices are also dictated by the preferences in terms of investment horizon of the actors involved. Their preferences usually arise from the nature of the asset owner they serve. For example, institutional investors like pension funds act as patient capital, which strongly shapes the networks in which they participate. Such networks usually involve asset managers who can offer management routines that fulfill their demand for long-term, low-risk investments (Sanfelici & Magnani, 2021). This influences the capacity of asset managers to attract and retain capital from asset owners.

Moreover, asset managers' management can change money flows according to the expected temporality of income generation. Some asset managers choose to invest in assets that provide steady incomes with lower risk. Others prefer to engage in riskier investments to obtain higher capital gains. The preference for assets that will be the subject of investments is driven by their earnings expectations over a given time horizon. These expectations are commonly constrained by their contracts with asset owners or even shareholders' earning expectations. As expected, this substantially changes where the investment is anchored: in government bonds that present little risk or in unicorns in Silicon Valley.

In Chapter 2, I will delve into these perspectives using the study case of REITs and pension funds in Brazil.

Channeling

The third stage of analysis aims to analyze how asset managers channel money over space. Money can be channeled into companies and businesses that pursue profit-seeking activities in the real economy: firms that explore natural goods, airport managers, renewable energy firms, real estate developers, etc. Despite the sometimes distant correspondence between the securities traded in stock exchanges and the materialities of the real economy, every financial asset, even complex structured products, either has roots in some real activity or engenders a circulation of capital that affects the real economy. That is why channeling is an essential part of understanding the journey of money.

Channeling entails much more than pure financial calculations on where and what to invest money. A vast body of research has already shown that information asymmetries and the tendency to follow mainstream investments affect decision-making (Henneberry & Muzakis, 2013). All in all, the decision-making process involved in channeling money is subject to the relationships and flows and the material structures that underpin such flow of money. This is a way of interpreting why certain types of capital are anchored in select types of assets and spaces.

The assets and materialities chosen by asset managers become entangled in the web of relationships driving money flows. We can expect that, when investing in timberlands in Brazil, non-local investors may use, for example, consultancies or local actors who gather information and specialized knowledge to steer their investments. Therefore, the place and the object that is subject to investment intensively shape the flows, relationships, and the actors that participate in the journey.

In fact, channeling is not just the result of pooling capacities and management characteristics. Channeling also interacts to (re)configure these two stages. In the case of pooling, the justification for attracting capital often, if not always, hinges on where and in what the attracted capital will be invested. Our empirical research has shown that asset managers in the commercial real estate market sector used discourses focused on their channeling activity. Not only immediate financial returns or income stability were evoked in this case, but the potentialities of the underlying economic activity. Moreover, channeling also affects

management strategies. This is mainly due to the formation of networks that a firm investing in certain types of assets is led to forge to facilitate its investments.

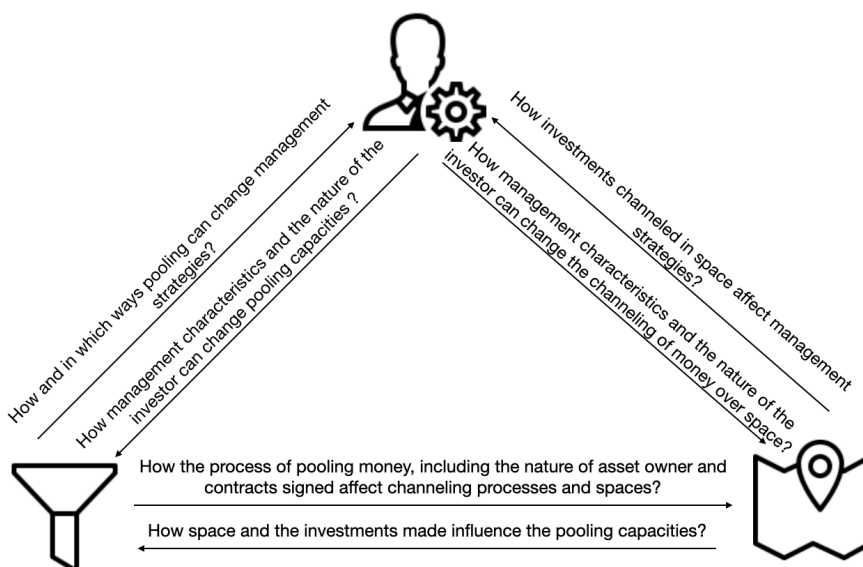
Much research has already considered anchoring capital in cities (Theurillat & Crevoisier, 2013; Guironnet et al. 2016). However, they often overlook that the set of stages we propose here can transform and explain how money flows anchor in space. In other words, asset managers’ pooling capacities and management characteristics change and are changed by channeling criteria.

I will explore this stage in Chapter 3 for REITs and, in some cases, for other real estate market asset managers.

The interconnection of the stages

We cannot, however, interpret this framework as describing a linear and one-directional process. Pooling, managing, and channeling happen simultaneously within asset management firms. The three stages also exert direct influence on each other in different ways. The following figure (Figure 9) represents the ways in which the stages connect and influence with one another.

Figure 9: interconnection of stages



Source: own elaboration

This interconnection of stages helps explain why this framework encompasses parallel activities, i.e., activities that happen without a necessary sequence. While a certain logical

sequence is implicit, since money is only invested if it is previously collected and managed, in reality, the stages happen simultaneously in the day-to-day operations of the agents involved in the flows of money. The interconnectedness of the stages shows that at all times the stages are being strategically considered in the actors' practices. Furthermore, the activity of attraction, management and channeling can never come to a complete halt within asset management firms. In order to remain "in the game", the activities that take place in each of the stages of this framework cannot cease. It is true that at specific periods, one activity may emerge as the primary focus of the business, but this does not imply overlooking the activities that run parallel within the investment houses.

Starting from the influence pooling exerts in the management stage, we can consider how the nature of asset owners that sign contracts with asset managers has an impact on management activities related to disclosure requirements and, more relevant, the temporalities and nature of investments. As the literature has already shown, institutional investors demand (or should demand – see Monk et al. 2017) from their asset managers' management strategies that are aligned with their nature as patient capital, for example. The strategies are affected, for instance, by following the temporalities of pension liabilities and even the asset owner's preference to undertake certain types of investments over others (see Sanfelici & Magnani, 2023). The pooling capacities of different asset managers have influenced the management of money as the final investor's expectations (long versus short-term investment, monthly and steady earnings, or a single long-term return) and institutional and legal requirements affect management practices (disclosure of results and assets chosen, for example). One example I found in my empirical material is the relationship between REITs and pension funds. As the pooling strategy changed, REITs had to fit their management procedures to the requirements of pension funds as clients.

Regarding how pooling can influence the channeling stage, we see significant influence in the nature of assets chosen: long-term versus short-term, and in between different types of alternative investments, such as real estate, infrastructure, private equity, and ESG. As we see in the management of real estate assets, for example, institutional investors often encourage their asset managers to invest in certain properties and projects (see Sanfelici & Magnani, 2023). Even though outsourcing restricts the participation of asset owners in decision-making processes,

we found that the pressure exerted by the money owners occurs informally. In addition, asset managers make great efforts to attract investments from pension funds. As one REIT manager I interviewed put it, the hardest thing is to get the first contract, and then we can start pitching to other pension funds (based on an interview with REIT's asset manager). This bold initiative to attract big pockets includes in its scope a prior alignment of expectations in portfolio management in terms of the channeling of investments.

Proceeding to the management stage and its influence over both the pooling and channeling stages, we can see in the first relation how the management characteristics of one asset manager in particular change the capabilities it has in accessing and establishing networks with asset-owners. My research with Daniel Sanfelici has shown that two things can affect the first relation. First, some asset managers have organizational characteristics and ways of doing business that attract some specific type of asset owners while turning away others, thus affecting the pooling process. One clear example of this is the business model of REITs and how this industry had to adjust itself, specifically its portfolio management procedures, to start attracting pension funds. Active management that prioritizes short-term gains in the portfolio was seen as misaligned with the objectives of pension funds. This management characteristic strongly inhibited the attract of money from so-called "professional" pockets, something that is desirable for most asset management firm (see Sanfelici & Magnani, 2023).

At the same time, when we analyze the relationship between the management and channeling stages, we see that an asset manager can pursue different channeling strategies because of their institutional and organizational characteristics. For example, we have shown that the disadvantage REITs have in not being allowed to issue debt (leverage) hinders the investment of money into longer-term assets. At the same time, due to the slow decision-making process, pension funds have difficulty in taking advantage of promising business opportunities.

Finally, channeling also affects the pooling and management stages. First, the pooling stage can be affected by the channeling of money through the discourses asset managers apply to attract new investments into their funds. One clear example is the case of Cajamar (São Paulo) and Extrema (Mines Gerais), which channeled a great deal of investments in the logistics sector during the Covid-19 pandemic. In this case, asset managers' attempts to attract money in a period of crisis were backed using the discourse that the channeling itself would increase

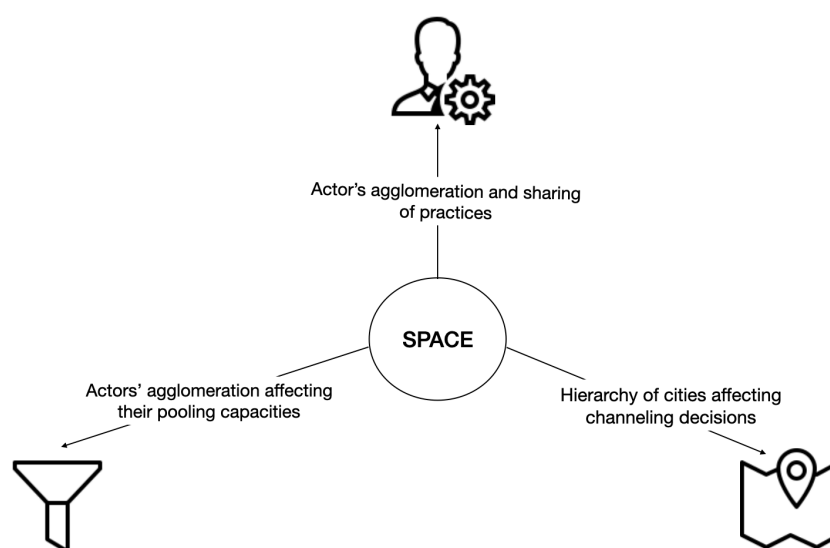
investors' gains. In other words, asset managers have anchored their discourse on attracting money in their channeling activity that, at the time, focused mainly on logistics assets. Their efforts in molding the discourse over this new channeling practice succeeded, as we show in Article 3 (see Table 1 and Article 3 in the appendix).

Second, the management is also subject to the channeling stage. One firm needs to be prepared, in terms of their organizational characteristics, personal body, etc., for the channeling criteria they have. Let's take as an example the new bet REITs had during the pandemic to invest in logistics assets. As Article 3 showed, asset managers had to create new departments within the company focused on the segment, which made it possible to explore potential opportunities, monitor the results, and also report on them to the investors. Moreover, the willingness to bet on this new asset resulted in the establishment of distinct (and pretty new) management networks: the REITs had to establish relationships with developers and consultants in order to gain access to market opportunities and to facilitate the transmission of knowledge about the segment which they did not possess at the time. All in all, channeling criteria can exert great influence on a firm's management practices.

The stages within the space

As geographers interested in how the process we study is deeply entangled with space, I here propose how the money journey may influence and in turn be influenced by space. I call for this necessity, recognizing that the processes described do not happen in a "flat" space. In reality, the actors and their relationships along the money journey take place in a non-metaphorical notion of space. Money flows do not circulate according to the spatial metaphor of dots and flows. Instead, space is a vital geographical concept that conceptualizes the concentrations of elements or relationships in a geographical location (Corpataux & Crevoisier, 2015). The following diagram (Figure 10) represents the ideas I expose in this sub-section.

Figure 10: The stages within the space



Source: own elaboration

The relationship between space and pooling and management stages mobilizes the ideas and studies of actors' agglomeration. Agglomeration is seen as an advantage financial market actors enjoy when sharing the same space with each other and other players who participate in the flow of money. This proximity not only affects the transaction of goods but also creates an environment that eases information, data, and knowledge sharing. In this regard, spaces gather actors (and investments) that allow the creation and circulation of money.

Considering how space affects pooling capacities, we can look through the lens of sharing space enables networks to be formed to channel money from specific individual and professional investors. This is why asset owners and asset managers are often concentrated in very few regions in different countries.

At the same time, the financial revenues generated by an investment channeled in space in its different forms (considering that all investment land somehow and somewhere in the real economy) feed asset owners' and asset managers' pockets, allowing the continuous circulation of money. Some spaces and assets are more profitable than others. Assets rentability is, then, easy to understand: some assets yield more than others at specific moments. However, what interests us as geographers is how space affects the returns or performance of assets. Tax havens,

countries and regions that are attracting investment (sometimes just because of a herd effect that investors are caught up in) often generate good performance for portfolios.

Space also affects the pooling and management stages. With regard to pooling, a clear example can be seen in how federal regulations or laws foster or allow certain types of investments that will, in turn, encourage the pooling of money in the hands of asset managers. In urban geography, many scholars have focused on how government regulations allowing the creation of REITs, for example, have strongly changed how properties can be channeled into investments from asset managers (Sanfelici & Halbert 2019). The institutional contexts are often spotlighted in this macro scale relation between channeling and pooling (even though the theoretical perspective on this connection and categories are usually neglected).

Finally, spaces affect management practices too. This happens in two different forms. First, asset manager's and asset owner's headquarters are usually close. As stated before, this proximity that allows the circulation of information, metrics, and rationalities affects not only the channeling process but also the management of portfolios. Sharing these "ways of doing business" interferes not only with the relationship with asset owners, but also with the relationship with other players in the investment chain. In the case of real estate, for example, the proximity of consultancies, property developers, and some governments attracting the landing of capital facilitates investments.

The second way channeling investments in space change management characteristics is related to the institutional environment. Countries, regions, and cities are chosen thanks to the ability to provide an encouraging investment setting. In Brazil, for example, a legal and institutional apparatus requires investors to disclose a great deal of information (even though this information is scarcely transparent to general citizens). Furthermore, the government is seen as a significant constraint on the investment possibilities of some investors. The issue of the legal prohibition on leveraging in REITs and pension funds' restrictions to offshore investments are a good way of looking at this. Some of the investors I interviewed also complained that, in addition to the constraints they face in the day-to-day management of their investments, the continuous requirement to provide accounts to regulatory agencies is a significant disincentive to the industry's growth. Some studies in the geography of finance address, for example, the movement of an industry towards countries and regions that have

more significant " advantages " in terms of portfolio management (see, for example, Lai & Pan, 2021; Lai, 2018)

4. INTERPRETING THE ARTICLES WITHIN THE FRAMEWORK PROPOSED

This dissertation is composed of 7 articles (see Table 1 and Appendices 1 for the complete texts). Most of these articles were written with co-authors who have worked with me since my Master's degree. I thank each one of them, especially Daniel Sanfelici, and state here that many of my findings were the result of intense and fruitful debate and cooperation. Below, I will (1) briefly present the articles written in Portuguese (articles 1, 7, and 8) to make it easier for members of the committee and the general public to understand them and (2) relate the articles that make up this dissertation to the stages of analysis proposed in the framework *Following the money journey*. These are organized into four lines and sections. The first, here, Line 0, does not follow the organization of the framework. It will discuss the research agendas in economic geography and the study of institutional investors, with a focus on the real estate market. Lines 1, 2, and 3 match each stage proposed in the framework.

	Title	Authors	Journal	Language	Status
1	Os fundos de pensão como objeto de estudo da geografia econômica: diferentes enfoques e agendas de pesquisa [Pension funds as an subject of study in economic geography: different approaches and research paths]	Magnani, M.	Espaço e economia	Portuguese	Published
2	The Financial Industry Sets Sights on Institutional Investors: A Relational Approach to Property Investment Outsourcing	Magnani, M & Sanfelici, D.	Economic Geography	English	Published
3	Assetizing Brazilian logistics: power, spaces and scales under asset manager capitalism.	Magnani, M; Sanfelici, D.; Adisson, F.; Halbert, L.	Finance and Space	English	Published
4	Pension fund investment in commercial real estate: a qualitative analysis of decision-making and investment practices in Brazil	Sanfelici, D.; & Magnani, M.	Area Development & Policy	English	Published
5	Unpacking corporate ownership in property markets: A typology of investors and the making of an investment value chain in Brazil	Sanfelici, D.; & Magnani, M.	Environment and Planning A	English	Published

6	Para além das metrópoles globais: a atuação de investidores financeiros nas cidades médias brasileiras [Beyond the global metropolises: the role of financial investors in Brazil's medium-sized cities]	Magnani, M; & Shimbo, L.	Confins	Portuguese	Submitted
7	O e-commerce e os fundos imobiliários logísticos: estratégias de captura de rendas imobiliárias [E-commerce and logistics real estate investment trusts: strategies for extracting land rents]	Magnani, M & Sanfelici, D.	Cadernos Metrópole	Portuguese	Published

Before proceeding to interpret the articles based on the framework, it is worth offering some contextual elements about the case study. The articles make several important references to some of the processes that have taken place in the Brazilian context over the last few years, including the substantial growth in pension fund reserves, the consolidation of asset managers as key intermediaries and the assetization of new material structures.

Pension funds in Brazil currently hold 1.27 trillion reais (around 230 billion dollars) (ABRAPP, 2024). Although contributions are not compulsory under the country's social security system, many public and private companies offer this benefit to their workers. Around 70% of the pension funds' capital is channeled into fixed-income assets (ABRAPP, 2023). This percentage has decreased in recent years due to reasons we will discuss below. Still, it is worth mentioning that a restructuring of large portfolios such as these is cumbersome. Coupled with the fact that pension funds are asset owners hamstrung by many regulations, this tends to slow down a trend that is expected by the industry: that the percentage of investment in fixed income will steadily decline and that the need for portfolio diversification will become increasingly evident (Asencio 2019).

Pension funds have historically self-managed a substantial share of their portfolios. This was due to the incentives this asset-owner had while high-interest offered government bonds with long-term returns that met their liability commitments. Government bonds were specifically chosen due to the steady returns combined with low risk. As we pointed out, the ease of managing these portfolios hindered the development of the country's financial industry, which has recently sought to attract these investors to their vehicles (Magnani & Sanfelici, 2023).

Moreover, pension funds have historically maintained strong ties with governments. This phenomenon expresses what some actors call “pension fund developmentalism,” in which this institutional investor makes investments that are aligned with the interests and government projects (Grün 2003; Datz 2013, 2014; Lazzarini 2018; Magnani et al., 2020). This contrasts with what is known as “pension fund capitalism,” (Clark, 2000) in which pension funds are key actors in promoting capital markets.

Recent developments in the economic and also political scenario has caused an abrupt change in the management of these asset owners. Firstly, from 2016 onwards, interest rates began to fall³, jeopardizing the entrenched investment management strategies of pension funds. Secondly, the Lava-Jato operation (2014 - 2021), which revealed one of the biggest political scandals ever seen in Brazil, put the spotlight on scandals involving the management of pension funds aligned with the interests of governments.

While pension funds were experiencing this challenging decade – in which they had to, even compulsorily, reassess their portfolio management policies – asset managers in Brazil were brimming with enthusiasm. The domestic asset management industry saw the disintegration of pension fund management policies as a valuable opportunity to attract new clients. This, in addition to the demand for more sophisticated financial products on the market, no longer tied to government bonds, boosted asset management capitalism in Brazil.

However, the asset management industry in Brazil has not experienced steady growth, as observed in the Global North (Gibadullina, 2024). High interest rates and political and economic instability are among the reasons often cited by asset managers interviewed. As pointed out, this unstable scenario repels many foreign and domestic capital.

However, despite these challenges, the asset management industry keeps growing in baby steps⁴. Net assets rose 11.5% from 2022 to 2023 and reached R\$8.3 trillion in December. The number of funds surpassed the 30,000 milestone of 2023. The number of accounts in investment funds grew by 6.3% between January and November, reaching 37.4 million. Equity Investment Funds and Credit Rights Investment Funds are at the top of the list in this industry (Anbima, 2024).

³ With great variations and periods of increase.

⁴ Historical data is not available in non-paid sources.

As I commented before, the development of the asset management industry is accompanied by the capture of investments from pension funds. As one article pointed out (Magnani & Sanfelici, 2023), some asset managers have shown greater interest and ability to attract these investments. This is the case for REITs, which took advantage of the political crisis besetting pension funds to offer property-based financial vehicles.

All in all, Brazil's political and economic context signals a process that is fueling, albeit unsteadily, the growth of the asset management industry. In addition to the process observed by the turn from pension fund developmentalism in Brazil to asset management capitalism, there are some other trends similar to the ones witnessed in Global North countries. The country is going through a period in which rights that were previously guaranteed by the state are now in the hands of private agents. This is the case with welfare policies, which in the last two governments have undergone significant changes in favor of private management of retirement savings. Another example is that the Brazilian state, like many countries in the Global North, has started to prioritize the private management and provision of the country's infrastructure (such as basic sanitation, transport, etc.), giving way to the assetization of materialities now managed by asset managers.

It was not the intention of this chapeau to provide an extensive interpretation of the transition from forms of capitalism in the country. However, I understand that some observations from my research on pension funds' investment in the real estate market, combined with my reflection on the increased power of asset managers in controlling money flows using the case study of the real estate financial industry, can provide some interesting insights about these broader developments. During my formation, I *witnessed* this change, and now I make an effort to connect this broad theory about forms of capitalism by shedding light on the way asset managers' increased power in finance is dictated by the control of money flows since the money's pooling, managing and channeling transactions and the relationships embedded in these.

Now, I reflect on how my study case can be used as empirical evidence of asset managers' power to set the directions of money flows.

Line 0 - research agendas

The first article, single-authored, discusses the approaches and research agendas around institutional investors in the field of economic geography. In Article 1, I start from the understanding that pension funds have become objects of study in economic geography because these agents and their trajectories affect the way in which the economy, society, and territorial dynamics evolve. Based on this opening statement, I discuss three possible perspectives from which economic geography studies (or may study) pension funds. The first refers to the flow of capital generated by the investments of institutional investors across space – a dimension dealt with in greater depth by the sub-field of financial geography. It is from this perspective that research in the field of economic geography and geography of finance maps out from where and to where the capital managed by pension funds in different asset classes “land” in space. As many of the studies mentioned throughout the article point out, the investment dynamics of pension funds increasingly produce a selective flow of capital, both in terms of investment classes and geographies.

The second approach through which economic geography can explore pension funds as a subject of study concerns the effects of the spatial proximity of financial agents on investment decision-making. From this perspective, space is an essential variable in understanding the practices and investments made by large institutional investors. In other words, this approach focuses on the spatial concentration of management agents, the formation of agglomeration economies, and how these phenomena help explain investments' spatial selectivity. Finally, the third approach to economic geography, which aims to relate the activities of pension funds to broader issues involving space and the economy, deals specifically with the process of converting real assets in the economy - such as real estate and infrastructure – into financial assets. In this sense, this approach seeks to recognize and analyze how real assets – in which risks and returns are understood with the space-time that is particular to economic and production cycles – are “translated” and “aggregated” into financial assets in which the risk-return ratio results from an exercise in financial engineering.

Combining the international and domestic bibliography that I have been working with since my Master's degree, I discuss concepts and authors from economic geography who, since the 1980s, have focused on 1) understanding the importance of a system of relationships when it comes to contributing to the exchange of knowledge between economic agents and 2)

interpreting that economic actors are not just cogs in a machine, but are reflexive subjects whose actions, practices and interactions contribute to the way the economy evolves. I understand that it was from this line of reasoning that economic agents, such as pension funds, began to be studied in greater depth by economic geography.

Finally, I conclude the article by proposing some research agendas covering the three research approaches I have brought together throughout the article. The one that deserves to be highlighted is the need, especially in the Global South, for research that offers a detailed mapping of capital flows. This geography should be able to show the concentration (or not) of the origin of resources, investment decision-making and also the destination of these investments.

First stage - strategies and temporalities of capital attraction

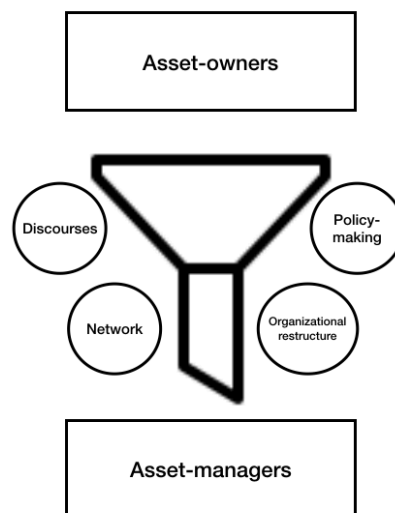
The articles published in the journal *Economic Geography* (article 2) and submitted to the journal *Finance and Space* (article 3) are part of the first stage of the framework proposed – strategies and temporalities of capital pooling. They explore how asset managers – in both cases, Real Estate Investment Trusts (REITs) – actively work to attract capital for their investment vehicles.

In essence, these two articles help us understand financial intermediation activities as a process encompassing different layers. In the *Finance and Space* article, we focus on how asset managers rely on discourses aimed at assetizing new material structures, in this case, logistics property. As we have shown, these discourses were essential in shaping an asset that, prior to the Covid-19 pandemic, was held in great indifference by asset managers. In the case of the *Economic Geography* article, we focus on three other aspects that I believe are essential to the way financial intermediaries attract capital from institutional investors, in this case, pension funds. In that article, we looked closely at how Brazilian REITs, noticing certain exhaustion of their business model based fundamentally on attracting capital from individual investors, (1) made use of policy-making; (2) worked on establishing daily networks with asset-owners - which also involves the use of discourses that have the capacity to change the form and channels of

how capital is distributed and (3) promoted structural changes in their internal organization to serve new clients, to attract capital from deep-pocketed institutions.

The following diagram (Figure 11) visually represents the four strategies that enable asset managers to channel money from asset owners.

Figure 11- Asset managers' strategies to channel money



Source: own elaboration

Although both works dealt exclusively with the study of one asset manager in particular, REITs, these strategies (Figure 11) essentially encompass the way in which different asset managers in the financial industry work to attract capital. As I will discuss in the last chapter of this thesis, it is worth investigating the application of this framework to other classes of asset managers.

At this point, I invite the readers to read the two articles (articles 2 and 3) in this dissertation's appendix.

Second stage - Practices of management and institutional/organizational relevance

After the money is pooled into asset managers' hands, they start managing it on behalf of asset owners. Now, their everyday management practices are the focus of analysis. As I show in the following, these are deeply affected by the type of asset manager and its institutional and organizational context.

In the second stage of the framework proposed, I discuss the day-to-day practices that asset managers employ in managing the capital of asset owners.

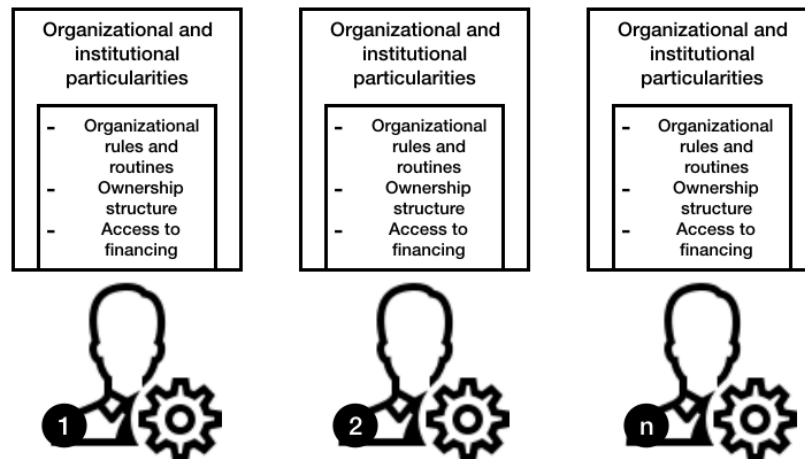
The first article in this section, published in *Area Development and Policy* (article 4) while I was still working on my Master's thesis, seeks to highlight how the nature of the investor, in this case, a pension fund, substantially alters the way in which this actor invests in the commercial real estate market. In this article, we highlight how Brazilian pension funds employ management strategies that are particular to their nature as long-term investors and their institutional and regulatory context and history. We show that pension funds are managers that present (1) an awareness of the constraints posed by pension liabilities, (2) a focus on asset-specific competencies to increase returns, and (3) a prioritization of in-house investment management. Although it predates my Ph.D., this article is important to include in this thesis because it was with this observation that the nature of the asset-owner matters that we (Daniel and I) became interested in (1) studying more deeply how the relationship between these capital holders and the financial industry responsible for intermediation and management takes place in the latter's attempt to pool institutional money and (2) how differently is money channeled as a result of distinct management practices.

It was by observing the reluctance of Brazilian pension funds to delegate their real estate portfolios to REITs that I found continuity for my research agenda. This is now much more related to the first stage of the framework. In other words, the question of how the financial industry moves to attract capital – that can sometimes be resistant to its services – led me to try to understand the active role played by this industry.

Furthermore, it was in the context of my Master's research, which aimed to understand the rationalities and investment practices of pension funds in the commercial real estate market, that my advisor, Prof. Sanfelici, and I came up with the idea of studying in depth how the nature of the investor and their regulatory and organizational context influence their investment practices in real estate. Bringing together Prof. Sanfelici's previous experience with Brazilian REITs and his current understanding of the practices of pension funds as landlords, we started a more extensive project comparing the performance of property companies, REITs, and pension funds in the Brazilian commercial real estate market. In this project, whose most relevant publication is the one also added to this thesis (article 5), we built a typology of

investor types in Brazil's commercial property markets, which shows that the investment preferences of these actors are largely shaped by: their organizational rules and routines; their ownership structure; and differential access to financing (see Figure 12). In addition, we show that these investment preferences translate into distinguishable property investment patterns and influence broader property market dynamics by giving shape to an investment value chain.

Figure 12- asset managers and their peculiarities



Source: own elaboration

For example, property firms operate in real estate markets focusing on long-term investments. This investment strategy is correlated with the fact that their ownership structure is composed of professional investors, such as institutional investors and even other investment vehicles managed by banks and asset management firms. Concerning this specific point in the typology, REITs, for example, invest in an opposed way: channeling investment to properties that yield fast and steady financial returns. Another example we can find in more detail in this article is how investment practices are shaped by organizational routines. Pension funds are a representative case. Their decision-making is typically protracted thanks to their strict routines and internal regulations requiring discussions and bargaining between managers and areas.

The comparison between three different corporate entities that belong to the same industry (here, the commercial real estate market) allowed me to take to the framework *Following the money journey* the importance of the investor's characteristics in channeling the money. As I will better explain in the final section, which aims to provide some initial interpretations of how this framework could be implemented in other industries, many studies that apply "following the money" as a methodological tool to map financial circuits only provide

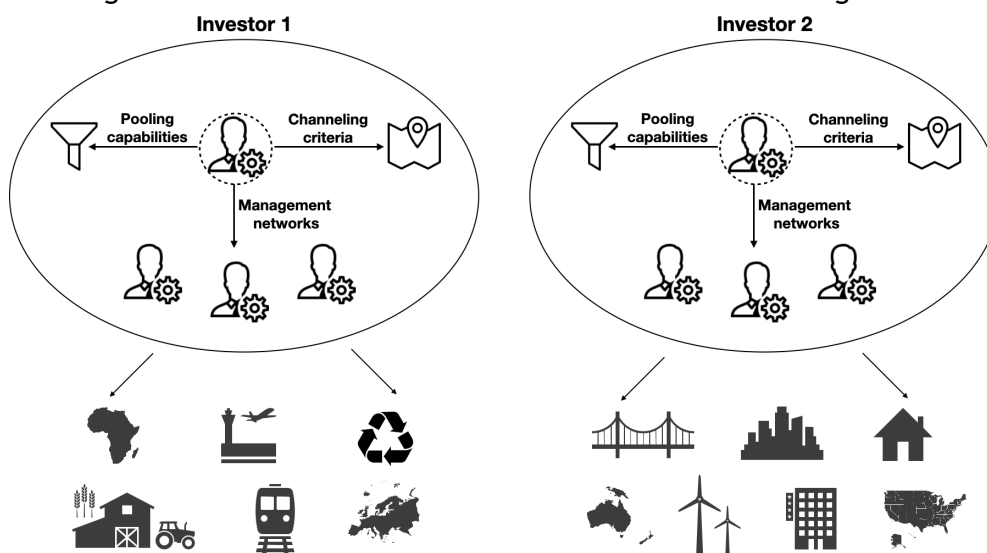
superficial descriptions (or categorizations) of financial investors. Again, the justification for the direction taken by money flows – and also networks – comes with superficial interpretations of the investor’s nature (see Chapter Five). For example, the need to invest in alternative assets in the Global South is ascribed to diversifying the portfolio and obtaining results. The common opportunistic investment taken by asset managers is often explained by their nature as “financial investor”. What is not considered, however, is that not all asset managers have and can pursue the same strategies. This is better explained in Article 5.

After this presentation, I invite readers to read articles 4 and 5 carefully.

Third stage - channeling money over space

The third strand of analysis aims to analyze how asset managers channel money over space. Articles 5 and 7 make up this phase. In these, using different empirical materials and study cases, I could show that the differences between asset managers matter in terms of their pooling capacities, formation of networks, and channeling criteria – see Figure 3, *We need to go deeper into the actors involved* – thus, interfering in the way the money is circulated in the journey being finally channeled in space. The following diagram (Figure 13) is an attempt to put together these ideas.

Figure 13: different investors with its different channeling assets



Source: own elaboration

As a research group, we seek to fill the gap raised in phase 2 – that various institutional investors have distinct organizational capacities that, in turn, generate different types of

investment in the commercial real estate market – by studying the operation of an important Brazilian corporate investor in the real estate market of a metropolis in southern Brazil⁵. The focus is the metropolis of Porto Alegre (4 million inhabitants in the metropolitan area), which has undergone a profound transformation along the waterfront of Lake Guaíba, with the emergence of various real estate developments, cultural spaces, revitalization of public areas and street renovation. While until recently, the waterfront had been neglected by public authorities and had attracted little interest from local and non-local real estate developers, since the mid-2000s, the region has become increasingly attractive to new investments, resulting in a significant increase in urban land prices. Our argument is that, although this phenomenon results from the convergence of several factors, one firm, in particular, has played a central role in catalyzing the transformation process in the area: the publicly traded company Multiplan S.A.

Headquartered in Rio de Janeiro, Multiplan is a giant in the development and management of shopping malls in Brazil, but has increasingly diversified its segments with investments in offices and residential complexes. Through a strategy based on three pillars - a focus on large-scale projects launched in phases; engagement with local political authorities; and a commitment to acquiring urban land in less valued areas to maximize rent gaps - Multiplan has been an important driver of waterfront renewal. Its operations in the area began with the launch of a high-end shopping mall in 2008, followed by other investments in the surrounding area. Our research sought to examine Multiplan's business strategies on the waterfront of Porto Alegre between 2005 and 2023, with some guiding questions: how was the company's nature related to the long-term strategy of developing a new axis of urban expansion? How were these projects negotiated with local actors and public authorities? How did the company define and implement the strategy over time, and what challenges did it face? How did the context of the city, its political, historical, and social background, enable the development of a new axis of bottom-up, market-driven urban expansion, i.e., initiated by a non-local actor without prior planning from the local government?

Unlike the other strands that make up this thesis, this research required field visits conducted in the first semester of 2023. Our preliminary results indicate that the strategy implemented by Multiplan in Porto Alegre is closely related to some of the firm's organizational

⁵ I participated in the field work and helped with the conceptualization of the case. The study did not result in any publication written by me.

characteristics, such as its ability to raise funds on the capital markets, but also benefited from the company's skills in building relational capital on a local scale, which is essential for anchoring investments in the territory and extracting rents. The combination of these resources allowed the company to inaugurate a new expansion front for the real estate market in the city, reconfiguring the patterns of urban occupation by attracting middle- and high-income families to the Guaíba waterfront.

The sixth article that is incorporated into this dissertation was carried out in partnership with Prof. Lúcia Shimbo (University of São Paulo) as part of the project "The New Value of urban territories: the competing roles of local authorities, public real estate appraisers and real estate consultants" (Research Grant - Regular Cooperation Agreements / UdL - Université de Lyon, Fapesp). My participation in this project as a technical assistant from May to September 2022 was significant for me to delve deeper into the third pillar of my doctoral research. Focusing on medium-sized cities, the project and its members encouraged me to think about and connect the research I was doing in Prof. Sanfelici's project with the investment process of institutional investors in the real estate market "beyond global cities." Still being peer-reviewed, the article was derived from a single-authored publication for the book that will be published as part of Prof. Shimbo's project.

In this article, our focus on medium-sized cities sets it apart from the majority of studies that, after the 2008 crisis, sought to understand the effects of the intersection between capital markets and the production of urban space in *global cities*. Its argument is that the financial investors operating in these cities, as well as their investment criteria, are distinct from those investing in the more established real estate markets of major metropolises. They are notably property companies and REITs that prioritize diversification across real estate segments, primarily focusing on shopping malls and logistics facilities instead of seeking specific locations. To develop this argument, interviews with real estate sector actors, analysis of press materials, and documentary research in portfolios of institutional investors were conducted. Recognizing these differences has allowed us to understand "what kind of financialization" occurs in each real estate segment and different cities. In other words, the article's argument is that medium-sized cities are possible *loci* of a financialization process of their own, since the investment criteria in

these locations differ from those mobilized by financial agents when investing in large metropolises.

Unlike traditional markets (considered "core") that attract financial investors, such as the corporate office market in São Paulo, the investments made by financial investors in medium-sized cities seem to be more strongly related to decision criteria that favor diversification of investments by segments (related to the uses of buildings) than by locations. In this way, the picture of investment by financial actors in global metropolises and medium-sized Brazilian cities is considerably different. We claim that different financing circuits exist in different cities not only because some of them are more likely to anchor investments but also because of the different types of financial actors that are willing to create and maintain these investment channels. Furthermore, in addition to who the investors are, their criteria for deciding whether to invest in global metropolises or medium-sized cities can also differ fundamentally, as we will show in the course of the article. It was, therefore, by putting together strand 2 of this research that we were able to get a clearer picture of why certain investors do not venture into markets considered to be "non-core."

Finally, the last article that makes up stage 3 is published in the Brazilian journal *Cadernos Metr pole*. This was the first article published in axis three, and it was written at a time when we observed structural changes in how REITs operate. During the Covid-19 pandemic, we were faced with intense movement by REITs around a previously little-recognized real estate segment: logistics. This trend motivated not only the writing of article 7 but also, at a later moment, the publication of article 3. These two publications using the same empirical object demonstrate, in my view, how the actions of a financial investor should be analyzed from different angles, which, as I proposed in this dissertation, should encompass everything from the attraction of investments to their custody, the way in which they manage this resource, to the way in which they place this capital. In the case of logistics REITs, we showed in Article 2 that intense work on the assetization of this property type was necessary for REITs to lure capital from investors and make investments in the sector. In article 7, as I will go into more depth below, as the article was published in Portuguese, we show precisely how the channeled capital was effectively anchored in space.

In the article published in *Cadernos Metr pole*, we argue that the financialization of a specific urban object – the Brazilian logistics property stock – stems from the convergence of two main forces. On the one hand, we argue that the global Covid-19 pandemic, by preventing the mobility of people, has strengthened the e-commerce retail sector, boosting the growth of the Brazilian logistics-real estate complex. On the other hand, we found that, on the supply side, the successive drops in interest rates have contributed to Brazilian investors' demand – be they large institutional investors or individuals – for alternative investments that are more profitable but still less susceptible to stock market fluctuations. We, therefore, argue that REITs linked to the logistics sector are consolidating themselves as both inducers of the expansion of the Brazilian logistics-real estate sector and as an essential outlet for wealthy Brazilian investors.

We analyzed the logistics real estate funds portfolio to support our analysis of how asset managers channel money over space. Specifically, we analyzed: their date of creation, number of quotas and quota holders, market capitalization, vacancy rates of the REITs, type of management (active or passive). We also focused on the developments managed by these instruments, analyzing: the year the property was built, its location, the type of development ("isolated warehouse", "A+ warehouse", etc.), the main tenants, the average duration of the contracts, the total Gross Leasable Area (GLA), the developer of the property, etc. Other architectural and operational characteristics of the developments were also analyzed separately, such as whether there is a 24-hour security system, the number of docks available, etc. From the point of view of the urban-territorial transformations that are induced by the greater prominence of financial investors such as REITs, we observed that the investment choices of these actors are directed towards assets that provide a stable cash flow for the fund and, consequently, a regular distribution of dividends to shareholders. This translates, in terms of property characteristics, into a restricted universe of high-end logistics warehouses located in the most dynamic regions of Brazil and whose tenants are predominantly large companies, especially retailers.

5. MY PATHWAY TO STUDY ASSET MANAGERS AND SOME METHODOLOGICAL INSIGHTS

My methodology is explorative and qualitative. It comprises different methods, namely, interviews, participant observation, data and real estate portfolio analysis. Although I have collected and made some simple quantitative analyses of real estate portfolio data, my goal has always been to generate broader understandings from the triangulation of different qualitative methods.

Unlike traditional methodological chapters, this chapter will not discuss in depth the different methodological tools and procedures used in the articles that make up this thesis. That level of depth is already found in each of the articles' methodological sections. Instead, I will use this space to recall some of the central points of the methodologies used and, in particular, to reflect on the methodological challenges and my own experience in my pathway to understanding finance.

Understanding financial investors' investment strategies requires considerable methodological effort (Halbert, 2021). In the Global South, the scarcity of secondary databases and the lack of standardization in the information available further hinder studies that aim to open the "black box of finance" (Christophers, 2011).

As explained in Article 1, the so-called relational approach to economic geography (Bathelt & Gluckler, 2017) is dedicated to understanding economic agents as reflexive subjects. We use this approach, as well as approaches from behavioral economics, to understand the actions of investors. This theoretical framework allows us to understand how rationalities are both framed in decision-making contexts and influenced by the behaviors of different decision-making agents (Magnani, 2021).

It is important to highlight that my methods were not employed solely to test a hypothesis. The methods were conducted as a way of helping me to build my knowledge through the observation and interactions with "finance." Then, I interpreted the representations asset managers (and other players participating in the flows of money) have about their roles in today's capitalism. Often, my interpretations and hypotheses raised through this continued exchange were even shared with them, stimulating this sequential process of 1) capturing representations, 2) filtering and interpreting them, 3) and continuous exchange and validation of

interpretations. Here, the social scientist's performative role is important to be understood and recognized, as our study object is neither neutral nor detached from society (Koltun 2015).

In order to build my knowledge, I made sure always to play an active role as a researcher. For this reason, I put more effort into 1) conducting participant observation, which involved attending events and conferences promoted by different agents in the financial industry, and 2) conducting semi-structured interviews. Moreover, 3) analyzing articles in newspapers and specialized magazines and reports, and 4) mapping the real estate portfolio of the three principal owners of commercial property in Brazil (property companies, pension funds, and REITs) helped me to absorb representations and sometimes facts and interpret them together with the two main methods I employed (interviews and participant observation).

Noticing that more methods could be interesting to this study, more recently, and stimulated by a Winter School that took place at the University of Berne (2023)), I began to venture into the methodology of network analysis. With this use, It was possible to identify the key actors that dominate Brazil's commercial real estate market, as well as their social and economic relationships.

Documentary analysis

My research used three types of documents: news material on the research topic, and grey literature such as formal reports made available by regulatory bodies, capital market agencies, and the actors studied themselves (such as financial reports).

Since January 2019, grey literature and news have been analyzed, with the participation of other researchers involved in the research project. An Excel table was updated daily with news stories from specialized newspapers and magazines, such as Valor Econômico, Infomoney, Investidor Institucional, etc. In addition to this material, live streams were collected and analyzed from different channels, such as Clube FII and GRI Club.

The collected material, considered important for my analysis, were classified as follows: title of the publication/matter; newspaper/magazine/institution that published it; date of publication; means through which it was disseminated (institutional email, Facebook, YouTube, web page, etc.); keywords (up to five); access link; summary of the publication; relevance for analysis (classified from one to five, with five being the most relevant); and bibliographic

reference. In general, the analysis of press material provided us with updated information on the recent agendas, relationships, and transactions involving a myriad of players in the financial industry.

This strategy was essential for developing the articles published in *Cadernos Metr pole* (article 7) and *Finance and Space* (article 3). In the first case, the restrictions imposed by COVID-19 forced us to analyze the context of the changes observed (high demand and supply of logistics real estate funds as a response to the effects of COVID) through the Brazilian press. As for the *Finance and Space* article, much of the empirical material was gathered from the analysis of publications in specialized Brazilian newspapers and magazines, as well as livestreams that took place with greater intensity during Covid-19. In order to analyze the discourse that shaped and underpinned the creation of logistics real estate trusts in Brazil during the pandemic, the analysis of grey literature allowed us to capture discourses and interpretations directly formulated by asset managers and their peers. This is particularly important given that, in semi-structured interviews, we are often subject to phrases that bypass market jargon and hide, in a sense, the form of communication that exists between actors inside the financial industry and in the context in which they operate. Carrying out this particular piece of research was a personal achievement for me because, having had initial training in public policy (which has a strong inclination towards sociological methods and theories), I was able to accomplish a long-held desire to analyze discourses as a tool for shaping markets and influencing investment flows.

We (as a group) also carried out a documentary analysis of investments using the reports available on their websites and in the CVM's general register. With the portfolios of these major investors, we were able to verify the location, segment, and architectural and financial characteristics of the main properties in these portfolios. With this data, we were able to cross-check data obtained using other sources that clarify investors' strategies in commercial real estate in Brazil.

Participant observation

Participant observation is a research methodology in which the observer (researcher) participates in events, gatherings and activities that interest the investigated party, in this case

asset managers. By sharing the same environment and exchanging experiences, the researcher can integrate and gather relevant information on how the investigated interact and what they discuss, defend, and share with other players. This observation technique has been used since 2018 in previous research and was essential for achieving the objectives proposed here, mainly because in interviews, another methodological tool used, the interviewees often answered questions in an uninformative way, concealing certain opinions and not entering into the atmosphere of "close dialogue" (Clark, 1998; Clark, 2018) – a fact that is understood to be due to the different social position, not to mention the differences in gender and age, between the interviewees and the researcher (Magnani, 2021).

The results of participant observation were achieved thanks to my participation in financial industry conferences and events. In these spaces, the dynamics of interaction between financial industry agents are evident when analyzed from the perspective of a participant observer. Lunch and coffee breaks are marked by intense interaction between managers and professionals from different companies and industries – for example, asset owners like pension funds and asset managers like real estate funds. As is well explored in the article published in *Economic Geography* (article 2), asset managers use these spaces to showcase their products and, in a way, advertise their work.

Another crucial point of participating in these events is obtaining contacts for interviews. Most of the interviewees were contacted beforehand at the events I attended. The strategy I followed was simple and proved efficient. I identified companies I considered relevant to my discussion by name tags and approached their representatives at the right time. When I approached them, I briefly explained my research, highlighting points that might appeal to them and asking them to take part in an academic interview. It is interesting to note that the events I attended after starting my doctorate at the University of Neuchâtel placed me in a position of status in the eyes of the market players. At most events, I tried to play an active role, effectively acting as a participant observer. Inspired by the methodology of ethnography, which I have always been particularly interested in, I understand that participating in everyday life and interactions allows for establishing a more horizontal relationship, which, in my case, allowed for access and openness to the "observed." So, at these events, I tried to ask questions in panels and introduce myself to a wide range of professionals.

Certainly, despite the proactive attitude, there have been some clear obstacles. The first concerns gender and age issues. Occasionally, professionals have taken advantage of a professional interaction I initiated to suggest non-professional encounters. Moreover, there were unpleasant situations in which I felt intimidated as a woman to interact in a highly masculine universe. Age, above all, was also a factor that made room for innuendos and discrediting. In addition, it is worth mentioning that professionals in Brazil's financial industry still show considerable ignorance and prejudice towards science and researchers. Unlike what I have observed in other contexts, the relationship between the market and academia is still not encouraged in Brazil. This is clear not only in the difficulty of accessing data – which we will discuss next – but, what I consider more essential, it creates significant hurdles to actually opening up "the black box of finance" to access the rationalities of financial market agents.

Finally, it is also worth mentioning that participation in these events was only made possible by the incentives of these institutions, which, in most cases, provided free registration. At this point, I want to mention in advance a research agenda that I have been working on in partnership with researcher Dr. Isadora Cruxên (Queen Mary University of London) in which we intend to access what we call "Quiet policies of finance. This project will be discussed more fully in the final section of this chapeau, as it represents one of the future agendas I intend to pursue over the next few years. However, at this point, it is important to emphasize that by identifying the importance of observer participation in financial industry events and understanding that these spaces are political, we intend to use the methodology of participant observation as a way of accessing the agendas of financial investors and their ways of expanding these agendas into broad and propositional discussions at the regulatory level.

Interviews

Forty-three semi-structured interviews were conducted with a range of actors⁶ in Brazil's financial industry and regulatory bodies involved with property investment and regulation – such as managers of REITs, property firms, pension funds, real estate developers, real estate consultancies, regulators, and so on. They were asked questions about the choice of segments and locations when making decisions about their investments and the relationships between the

⁶ For the list of interviewees, see appendix.

myriad of players involved in the commercial real estate sector. For more details about these questions, I suggest reading the methodological section of the papers.

The methodological procedure used in all the conversations was the semi-structured interview. In this case, the questions directed at the interviewee are just a guide for the interview. In other words, there is no obligation to ask all the questions as formulated initially because the conversation may lead to different but still interesting directions. This strategy was very effective and generated results that were important to my research since my Master's degree. The first positive aspect is undoubtedly the immersion in the momentary relationship between the interviewee and the interviewer. Again, inspired by the strategy of close dialogue (Clark, 1998) and by the considerations made by Erica Schoenberger about corporate interviews (1991), I have always considered it important to extract not only ready-made and often vague answers from the interviewees but also to extract opinions, and even sentiments, surrounding the issues I was interested in understanding. In order to establish trust and openness, the semi-structured interview procedure, in my opinion, allows the interviewer to be flexible in their statements and the dialogue, adopting, for example, the same tone that the interviewee gives to the interview (more informal, less informal; more personal, less personal; etc.). Also, on this point, openness is facilitated when the interviewer "pays attention" to the topics that the interviewees most highlight. This is a crucial point and one that often goes unnoticed when the interviewee has a rigid script to follow. From my point of view, giving attention and space to the interviewee is a way of obtaining more in-depth, detailed, and frank statements, which really allows the interview, as a methodological resource, to provide the researcher with an insertion into their object of study that other methodologies do not make possible.

Still on the subject of this methodology, opting for semi-structured interviews allows the interviewer to delve into the topics that are of interest to them and questions that are often accidentally brought up by the interviewees. Navigating with a guiding compass in the one hour that interviewees typically allotted to these interactions is fundamental to being attentive to your research objectives, but also to allow the interview to lead us to new themes and issues that had not been necessarily "on the radar" of the researcher. Being open and attentive is, therefore, an opportunity for the researcher to find new research questions and objectives. In my case, this allowed me to explore new research objectives and hypotheses and opened up a

path for me to wander into new research agendas. In conclusion, interviews generate not just results to be analyzed but also new questions.

I could delve into the various challenges this methodology presents, but I will focus on those I understand to have yet to be explored by methodological manuals. The first is the sensitivity of the issue we want to address. Bearing in mind and understanding how sensitive the issue is for the group of interviewees, the institution, or the interviewee is an obligation of a qualitative researcher. During my research, I mainly addressed two ethically problematic subjects. Once again, the close dialogue strategy and sensitivity as a researcher and person allowed me to access them in many cases.

The first one was the issue of corruption involving state pension funds and their investments in the commercial real estate market. Widely publicized by the media and the focus of a large-scale judicial investigation, these agents were accused of being involved in many schemes, including overvaluing assets and purchasing properties with political goals. Far from wanting to delve into these issues that have already been addressed in my Master's thesis, I emphasize in this chapter the strategies I employed to ensure that my interview with these actors did not become a defense speech, as if I were a judge who could judge what the interviewee would say. Many times, I encountered these situations and sought to reassure the interviewee, reaffirming, for example, that these cases had already been closed, and it was clear that the current management (in which they participated) was more professional, as they mentioned several times. This allowed me to conduct the interview on issues of my interest without intimidating the interviewee and without turning my interaction into a mere statement of integrity. On the other side of this situation, real estate funds and regulators also positioned themselves as witnesses to the cases, assuming that the interview was, once again, a space for judgment (formal or informal). The same strategy of avoiding the subject and emphasizing that the interaction space did not have this purpose was employed. It is worth mentioning, also, that I could have chosen to formulate this disclaimer in signed agreements and terms. However, dialogue, especially in the Brazilian context, where what is said and talked about is of great importance, is much more fruitful in generating trust in the research subject. Possibly, I would use another strategy to study agents where the regulatory environment and formal agreements are culturally and historically more important.

The other issue that proved quite challenging was gathering statements on involved participation in the agenda—or, more precisely, lobbying—related to the regulation that altered pension funds' investment norms in the real estate market. In my work on Article 2, I sought various interviewees to access different interpretations of a key regulatory change approved in 2018. Since lobbying is not permitted in Brazil by law, obtaining this kind of statement, even if alluded to without using the term explicitly, required formulating indirect and impersonal questions. We avoided, for example, this type of question: "Have you observed or participated in any regulatory lobbying action?". Additionally, I employed — or, in some instances, we employed — a formulation that I found particularly interesting and which facilitated our access: that of contextualizing, proposing a hypothesis to the interviewee, and citing informal moments in which we were informed about actors' involvement in lobbying. Taking care not to bias our results by leading the interviewee to confirm what we said merely, the use of a more informal tone allowed the establishment of a close dialogue.

Finally, to handle this sensitive issue and ensure clarity, it is crucial for the researcher to be attentive and request clarifications regarding what the interviewee mentioned. Vague answers or those not fully understood by me were questioned through a simple verification, such as "What do you understand by..." or often, "I did not quite understand what you meant by..." In these moments, I effectively obtained the most interesting research results.

It is worth noting that these methodological challenges were often raised by researchers who saw or read my research. Thus, I find it essential to share them and make clear my position that methodological challenges and strategies should never be considered entirely overcome. More importantly, the academic community should be open to interdisciplinary methodological discussions, less formal, categorized, and judgmental, so that researchers can share experiences.

Having employed the methodology extensively throughout my research, I conclude by highlighting three major lessons and questions that I would like to discuss with other researchers at an opportune moment. The first pertains to how we, as researchers, can establish a trustworthy and formal dialogue, adhering to ethical standards and meeting the formal requirements imposed by institutions. In my case, I discovered that my interviewees had little trust and felt intimidated by the consent agreements/terms I presented for signature.

Recognizing this apprehension, I began emphasizing, in all pre-interview communication, whether through e-mail or in person, that we do not use the interview for journalistic purposes, that we do not disclose names of individuals and companies, and so on. Additionally, at the beginning of each interview, these reminders were reiterated, and consent for recording was requested. Only one out of the 43 interviews I conducted, either individually or in collaboration with other interviewers, resulted in a refusal to be recorded.

This first question leads me to reflect on how culture influences the way we should conduct interviews. I raise the hypothesis that interview strategies should be rethought and often adjusted in Brazil, where there is a culture that values physical contact, impersonality, and dialogue. Of course, throughout all these changes I made—adopting a more informal tone, prioritizing verbal agreements and communications, etc.— as I mentioned throughout this chapter, I found myself in a position of heightened concern regarding ethical research norms. However, I strongly argue that these norms should be flexible enough to accommodate how historical, institutional, and cultural contexts impact the researcher-participant relationship and how the interviewee feels more secure and comfortable with the interaction.

The second point concerns the handling of sensitive issues. Although I understand that researchers studying subjects in social and economic vulnerability deal with these issues daily, studying the elite, in this case, the financial elite, also poses challenges in this regard (Schoenberger, 1991). As I have understood over these years, the subjects I research are always in the media's spotlight, their companies, their peers, and even the justice system. Therefore, as a researcher, I was responsible for acting sensitively to fears of retaliation and disclosure, strategically addressing the questions I sought to answer indirectly and carefully. Again, in this regard, I felt significant pressure to attend to the formal ethical aspects of the research and sought to handle them in the same way as mentioned above: applying strategic changes to better access my interviewees and make them feel comfortable and secure, while simultaneously keeping in mind the core obligation of the researcher to conduct interviews that avoid bias, especially.

Finally, regarding the choice of interviewees and the dual nature of interviews, as extensively explored by qualitative researchers, selecting a wide sample of actors was crucial. Not only based on their areas of expertise, as they present complementary yet distinct views

and interpretations on the same subject, but also across hierarchical levels. This approach allowed me to comprehensively understand the subject matter, from those who implement and execute to those formulating regulations. The latter was crucial to isolate the researched topic from potential scripted discourses and gain insights into the decision-making process and interaction among agents. Concerning what I refer to as the "dual nature" of interviews, employing this methodology since the early months of my Master's program has shown me that, indeed, it is my responsibility to understand my subject, formulate hypotheses, and establish objectives beforehand. However, it is equally important for me to remain open to new questions emerging during interviews, which can constantly reshape or even change the fundamental aspects of my research.

6. FINAL THOUGHTS AND THE FUTURE OF THIS RESEARCH

The financial industry has an increasing power in today's economy. This industry determines what assets are tradable, created, and circulated, and how our lives are affected by them. Because of this power in dictating how our economy works, this industry and its actors are so attractive to all researchers all over the world. Even more fascinating in finance is how it increasingly dictates everything and, at the same time, we find it hard to pinpoint what the "everything" is. The comprehension and interpretation of this industry's actions remain among the most discussed subjects. The "black box" is far from being fully opened.

Studying finance and proposing a theory on it can be overambitious and daring. Even though I avoided saying that I created a theory on finance, I finished this process acknowledging that the framework can, if continually improved and carved, become a theory on how asset management works and, ultimately, how global finance works.

When viewed in an interconnected fashion, I claim that the stages I propose help explain the money flows – where, by whom, and how money is pooled, managed, and channeled. These three stages can be seen as analytical stages that explain the dots (actors and their behavior, either pooling, managing, or channeling participants) and the traces we see in the mapping of flows (relationships more than financial transactions). With this framework, researchers can not only trace and label actors, but uncover relationships and agency.

Uncovering the relationships and agency power of asset managers is valuable to understand finance because it provides a micro-level perspective on its evolving structure. By affecting social structures, actions and interactions that happen at the micro-level scales can reveal the emergence of processes and trends that will eventually change macro-level dynamics. However, while recognizing the power of micro-level dynamics, finance can be understood as a complex adaptive system in which macro-level trends are derived from, but are not absolutely reducible to, the actions and interactions of micro-level effects (Kogler et al., 2023).

As suggested by institutional and evolutionary approaches on economic geography (with their recognizable differences, see more Boschma & Frenken, 2006), the relationship between structure and agency is characterized by the combination of both downward and upward movements. In simple words, structure (institutions, context, territory) affects the agency of agents as much as agency affects structure. Using the concepts of downward and upward causation of Kogler et al. (2023), macro-level factors exert downward causation on the system's micro-level components while, at the same time, the behavior of economic agents and their agency affect the "higher-level" context (including institutions) within which such behavior takes place. These upward and downward movements, as evolutionary and institutional approaches suggest, are constantly unfolding.

While much theory in economic geography focuses on the analysis of regional development and innovation systems, there is a strong case for applying these theories to the relationship between structure and agency in the financial industry. The unit of analysis is not territories (starting point of the institutional approach) or innovations (starting point of the evolutionary approach), but financial agency itself, which affects and is affected by both the territories in which it takes place and the innovations developed by financial firms. However, the financial industry is broad and multi-faceted, making it difficult to center analysis on the firm-level innovations or the territorial and institutional dynamics. Therefore, the relationship between structure and agency can be understood in broader ways, such as how asset managers and their agencies affect and are affected by institutions and how institutions are evolving through this constant exchange of downward and upward movements.

In developing this theoretical proposal, I began by focusing on the agency of actors. Innovation plays a central role in how asset managers reshape structures and influence the

financial industry, including its regulations, informal norms, and imperatives. For instance, I demonstrated how the industry innovated to attract and pool capital from asset owners. This not only transformed the financial firms themselves—such as REIT managers, who had to adapt and innovate—but also the institutions, both private and state, that enabled and facilitated these internal changes. Simultaneously, existing structures that constrained innovation, such as regulations governing the pension fund sector's direct investment in real estate, had to be modified to allow for a new configuration of agency among these players. This movement reflects how agency drives structural change. Although these upward and downward dynamics led to macro-level shifts – such as regulations that barred pension funds from direct real estate investment, opening space for REITs – micro-level dynamics, like the response time of pension funds, remained static for some time. Despite being pressured to outsource, pension funds took considerable time to adjust to the structural shift. In this context, the agency of REITs was crucial in translating high-level regulatory changes into market realities by operationalizing the reforms they had initiated.

Returning to the influence exerted by asset managers in contemporary capitalism, I argue that these actors play a pivotal role in shaping both micro- and macro-level dynamics to their advantage. Mastering the control of money flows involves skillfully navigating and driving both upward and downward changes within the financial industry. Today, asset managers are the key players orchestrating the relationship between structure and agency, leveraging their constant co-evolution to further their own interests.

Moving forward, the choice of framing this theory within the geography of finance field is handy because its studies consider the circulation of money as a privileged perspective to understand finance. In other words, the mapping of money circulation provides a broad overview of the main role of finance: create and circulate money over space. However, as scientists, we can offer renewable perspectives to look at *transactions* - in this case, money flows - as a way to foster knowledge about finance. As a matter of fact, processes become knowledgable when we go deeper into explaining the events we observe.

I claimed during this chapeau that “*Following the money journey: pooling, management, and channeling*” can be a valuable tool for analyzing different financial industries and finance more generally. Instead of raising this hypothesis on the malleability of the framework, I have

chosen one segment of the asset management industry in particular, taking care to explore how the stages I am proposing here take place. Within this, the framework becomes more vertical, allowing a 360-view of the *different stages in which money flows*. In order to build it, I analyzed the property investment segment in particular, allowing me to 1) position my research within the theoretical perspective on asset management capitalism; 2) challenge the "follow the money" methodology; and 3) contribute to the agenda on the financialization of commercial real estate market.

As already mentioned, implementing the framework in other industries will help refine the argument I have put forth here. Understanding how pooling, management, and channeling happen in different industries can show how the interconnections between these stages take place and how this industry's structure (its actors, relationships, regulations, institutions, etc.) is the way it is. In other words, by employing the framework to an industry, we are able to explain the *constellations* "of social and economic relations in which money's mobilization and movements are embedded" (Christophers, 2011, p. 1070) and which compose global finance. Using this same abstraction, I believe that to study one industry is to study a constellation. The stars are the actors that form it. The design of it is the connection and relationships between the actors that participate in this constellation. By bringing together different studies on different "constellations" (financial industries, such as ESG, infrastructure assets, venture capital, etc.), we can start our understanding of the whole universe: finance.

Moving beyond the methodology of following the money, which traces the money flows of different industries, assets, or commodities, analyzing a constellation requires an understanding of how the design (in parallel, the mapping of flows) takes shape and why the stars (actors) belong to this constellation and not others. Thus, transposing the findings of different studies on different industries is necessary to explain the networks.

Finally, as a continuation of my studies, I want to delve deeper into this proposition. Given the opportunity to conduct postdoctoral research, I will be able to expand this analysis while still using my empirical material. This will take place, I expect, during the writing of a book. I especially want to exchange these thoughts with other researchers because they are still raw. Unlike all the aspirations I had during my training when I focused on conducting empirical

research, I am now much more interested in my theoretical development in order to make a substantial contribution to the geography of finance.

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APPENDICES

Table 1 lists the articles that compose this dissertation. Table 2 presents the division of work of the articles, stressing my contribution to each. Table 3 presents some data about the interviewees. Some information was intentionally taken over to preserve the identity of the interviewees.

It is important to make a disclaimer before reading the articles that compose this Ph.D. dissertation. As this Ph.D. is developed in a co-tutelle scheme, three of the seven articles are in Portuguese. I took care to explain in more detail during my chapeau what these articles are about: their argument, results, and how they fit in the framework. Using DeepL Pro, a software that relies on artificial intelligence, I translated them. I also would like to thank all my co-authors who agreed to share our articles in this dissertation.

Table 1: Articles

	Title	Authors	Journal	Language	Status
1	Os fundos de pensão como objeto de estudo da geografia econômica: diferentes enfoques e agendas de pesquisa [Pension funds as an subject of study in economic geography: different approaches and research paths]	Magnani, M.	Espaço e economia	Portuguese	Published
2	The Financial Industry Sets Sights on Institutional Investors: A Relational Approach to Property Investment Outsourcing	Magnani, M & Sanfelici, D.	Economic Geography	English	Published
3	Assetizing Brazilian logistics: power, spaces and scales under asset manager capitalism.	Magnani, M; Sanfelici, D.; Adisson, F.; Halbert, L.	Finance and Space	English	Published
4	Pension fund investment in commercial real estate: a qualitative analysis of decision-making and investment practices in Brazil	Sanfelici, D.; & Magnani, M.	Area Development & Policy	English	Published
5	Unpacking corporate ownership in property markets: A typology of investors and the making of an investment value chain in Brazil	Sanfelici, D.; & Magnani, M.	Environment and Planning A	English	Published
6	Para além das metrópoles globais: a atuação de investidores financeiros nas cidades médias brasileiras [Beyond the global metropolises: the role of financial investors in Brazil's medium-sized cities]	Magnani, M; & Shimbo, L.	Confins	Portuguese	Submitted

7	O <i>e-commerce</i> e os fundos imobiliários logísticos: estratégias de captura de rendas imobiliárias [E-commerce and logistics real estate investment trusts: strategies for extracting land rents]	Magnani, M & Sanfelici, D.	Cadernos Metr�pole	Portuguese	Published
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Table 2 - Division of work

	Title	M. Magnani's contributions
1	Os fundos de pens�o como objeto de estudo da geografia econ�mica: diferentes enfoques e agendas de pesquisa [Pension funds as an subject of study in economic geography: different approaches and research paths]	Conceptualization; Data curation; Formal analysis; Investigation; Methodology; Writing - original draft; Writing - review & editing.
2	The Financial Industry Sets Sights on Institutional Investors: A Relational Approach to Property Investment Outsourcing	Conceptualization; Data curation; Formal analysis; Investigation; Methodology; Writing - original draft; Writing - review & editing.
3	Assetizing Brazilian logistics: power, spaces and scales under asset manager capitalism.	Data curation; Formal analysis; Investigation; Methodology; Writing - original draft; Writing - review & editing.
4	Pension fund investment in commercial real estate: a qualitative analysis of decision-making and investment practices in Brazil	Data curation; Formal analysis; Investigation; Writing - original draft; Writing - review & editing.
5	Unpacking corporate ownership in property markets: A typology of investors and the making of an investment value chain in Brazil	Data curation; Methodology; Formal analysis; Investigation; Writing - original draft; Writing - review & editing.
6	Para al�m das metr�poles globais: a atua�o de investidores financeiros nas cidades m�dias brasileiras [Beyond the global metropolises: the role of financial investors in Brazil's medium-sized cities]	Conceptualization; Data curation; Formal analysis; Investigation; Methodology; Writing - original draft; Writing - review & editing.
7	O <i>e-commerce</i> e os fundos imobili�rios logísticos: estrat�gias de captura de rendas imobili�rias [E-commerce and logistics real estate investment trusts: strategies for extracting land rents]	Conceptualization; Data curation; Formal analysis; Investigation; Methodology; Writing - original draft; Writing - review & editing.

Table 3 - interviews

Date	Companies	Position
1/17/19	Pension fund	Executive Manager
7/9/19	Pension fund	N/D
7/5/19	Pension fund	Investment Analyst
10/31/19	Pension fund	Pension Fund Investment Governance Manager
10/18/19	Regulatory organization	Director of Technical Guidance and Standards
9/2/19	Pension funds' national association	Executive Director
1/17/19	Real Estate Consulting	CEO (Real Estate Investment Area)

10/8/19	Asset management firm	Head of Alternative Investments and Credit
10/31/19	Asset management firm	Partner
11/18/19	Asset management firm	Head of real estate
11/22/19	Asset management firm	Partner and Head of Real Estate
January 2019	Property company	Chairman of the Board of Directors
4/11/19	Asset management firm	Partner-Director
7/10/20	Real Estate Consulting	Head of Market Research and Business Intelligence
7/9/2020	Asset management firm	Founding Partner
7/2/2020	Property company	Finance and Investor Relations Director
Year: 2017	Pension fund	Executive Manager of Real Estate Investments and member of the Resource Allocation Committee
11/19/2020	Asset management firm	Head of Real Estate
2/12/20	Asset management firm	Interviewee 1: Investor Relations - Asset Management Interviewee 2: Investment Analyst
3/8/21	Asset management firm	Interviewee 1: Sales Interviewee 2: Partner
8/9/21	Asset management firm	Interviewee 1: Leader of New Business Interviewee 2: Head of Funds of Funds
10/8/21	Financial market association	Content Director
8/25/2021	Asset management firm	Managing Partner
9/1/21	Financial market association	Manager
Year: 2021	Pension fund	Real Estate Investment Trust Manager
12/16/2021	Asset management firm	Director of Fund Management
2021	Asset management firm	Sales Department
12/21/2021	Asset management firm	Real Estate Portfolio Manager
8/17/2022	Real estate developer	Senior Vice President
8/18/2022	Asset management firm	Head of Infrastructure Investments
8/18/2022	Asset management firm	Interviewee 1: Senior Manager Infrastructure Investments Interviewee 2: Investor Relations
8/16/2022	Asset management firm	Head of Alternative Investments
09/06/2022	Asset management firm	Equity Analyst
09/08/2022	Asset management firm	Senior Executive
9/1/2022	Asset management firm	Partner
9/5/2022	Asset management firm	Partner - Head of Pension Funds and Solutions
9/29/2022	Asset management firm	Real Estate and Partner
11/30/2022	Local development authority	Investment Attraction Director
12/14/2022	Real estate developer	Director in Fulwood Condomínios Logísticos
Year: 2023	Asset management firm	Senior Vice President
Year: 2019	Real estate consultancy	Business Development Manager

Os fundos de pensão como objeto de estudo da geografia econômica: diferentes enfoques e agendas para pesquisa [Pension funds as an object of study in economic geography: different approaches and research agendas]

Maira Magnani, «Os fundos de pensão como objeto de estudo da geografia econômica: diferentes enfoques e agendas de pesquisa », *Espaço e Economia* [Online], 24 | 2022, posto online no dia 27 janeiro 2023, consultado o 20 fevereiro 2023. URL: <http://journals.openedition.org/espacoeconomia/22196> ; DOI: <https://doi.org/10.4000/espacoeconomia.22196>

Resumo

No campo da geografia – e, mais especificamente nos campos da geografia econômica e das finanças – os fundos de pensão e seu papel como agente econômico ainda são frequentemente deixados de lado. Considerando a importância de inserir os fundos de pensão como objeto de estudo da geografia econômica, nesse artigo, procura-se delimitar alguns dos diferentes enfoques e caminhos de análise sobre os quais o campo da geografia econômica pode se aprofundar nas dinâmicas que envolvem a atuação de fundos de pensão no espaço e na economia. Para tanto, esse trabalho de sistematização conta com o levantamento e análise de uma bibliografia internacional. Como resultado, exploramos três possíveis caminhos de investigação, dentro do campo da geografia econômica, nos quais os fundos de pensão e sua relação com o espaço, podem ser colocados em destaque. São eles: 1) fundos de pensão e o fluxo de capital institucional pelo espaço; 2) os efeitos da economia de aglomeração na tomada de decisão de fundos de pensão e; 3) o espaço como objeto de investimentos dos fundos de pensão. Concluímos levantando possíveis agendas de pesquisas que podem ser desenvolvidas a partir dos três diferentes enfoques propostos.

Palavras-chave: geografia econômica, fundos de pensão, investidores institucionais, agendas de pesquisa.

Pension funds as a subject of study in economic geography: different approaches and research paths

Abstract

In the field of geography - and, more specifically in the fields of economic geography and financial geography - pension funds and their role as an economic agent are still frequently left aside. Considering the importance of inserting pension funds as a research object in economic geography, this article seeks to delimit some of the

different approaches and analysis paths through which the field of economic geography can deepen on the dynamics that involve the performance of pension funds in space and economy. For this, this systematization work counts on the collection and analysis of an international bibliography. As a result, we explore three possible paths of investigation, within the field of economic geography, in which pension funds and their relation with space may be highlighted. These are: 1) pension funds and the flow of institutional capital through space; 2) the effects of agglomeration economics on pension funds' decision making and; 3) space as an object of pension funds' investments. We conclude by raising possible research agendas that can be developed from the three different approaches proposed.

Key-words: economic geography, pension funds, institutional investors, research agendas.

Les fonds de pension comme objet d'étude en géographie économique : différentes approches et chemins de recherche

Resumé

Dans le domaine de la géographie - et, plus précisément, dans les domaines de la géographie économique et de la finance - les fonds de pension et leur rôle en tant qu'agent économique sont encore fréquemment laissés de côté. Considérant l'importance d'insérer les fonds de pension comme objet d'étude de la géographie économique, cet article cherche à délimiter certaines des différentes approches et voies d'analyse à travers lesquelles le domaine de la géographie économique peut approfondir les dynamiques qui impliquent la performance des fonds de pension dans l'espace et l'économie. Pour ce faire, ce travail de systématisation s'appuie sur le recensement et l'analyse d'une bibliographie internationale. En conséquence, nous explorons trois voies d'investigation possibles, dans le domaine de la géographie économique, dans lesquelles les fonds de pension et leur relation avec l'espace peuvent être mis en évidence. Il s'agit de : 1) les fonds de pension et le flux de capital institutionnel à travers l'espace ; 2) les effets de l'économie d'agglomération sur le processus décisionnel des fonds de pension et ; 3) l'espace comme objet d'investissement des fonds de pension. Nous concluons en évoquant les agendas de recherche possibles qui peuvent être développés à partir des trois différentes approches proposées.

Mot-clès: géographie économique, fonds de pension, investisseurs institutionnels, agendas de recherche.

Los fondos de pensiones como objeto de estudio de la geografía económica: diferentes enfoques y vías de investigación

Resumen

En el ámbito de la geografía -y, más concretamente, en el de la geografía económica y las finanzas-, los fondos de pensiones y su papel como agente económico siguen siendo frecuentemente dejados de lado. Considerando la importancia de la inserción de los fondos de pensiones como objeto de estudio de la geografía económica, este artículo pretende delimitar algunos de los diferentes enfoques y vías de análisis a través de los cuales el campo de la geografía económica puede profundizar en las dinámicas que implican la actuación de los fondos de pensiones en el espacio y la economía. Para ello, este trabajo de sistematización se apoya en el relevamiento y análisis de una bibliografía internacional. En consecuencia, exploramos tres posibles vías de investigación, dentro del campo de la geografía económica, en las que se pueden destacar los fondos de pensiones y su relación con el espacio. Estos son: 1) los fondos de pensiones y el flujo de capital institucional a través del espacio; 2) los efectos de la economía de aglomeración en el proceso de toma de decisiones de los fondos de pensiones y; 3) el espacio como objeto de las inversiones de los fondos de pensiones. Concluimos planteando las posibles agendas de investigación que pueden desarrollarse a partir de los tres diferentes enfoques propuestos.

Palabras-chave: geografía económica, fondos de pensiones, inversores institucionales, programas de investigación.

Introduction

In recent years, pension funds have become prominent economic agents in the global scenario (CLARK, 2000; DIXON & MONK; 2009; SAUVIAT, 2005). The growth of their reserves combined with institutional and regulatory changes that encourage their maturation as important units of contemporary capitalism, make these agents assume a fundamental and established role in the capitalist economy of different countries, including in developing economies such as Brazil. In Brazil, public and private pension funds already exceed the mark of nearly 1 billion reais invested in various classes of financial assets (ABRAPP, 2019).

Pension funds and their prominence in contemporary capitalism are the subject of investigation in various fields, especially political and social science (SAUVIAT, 2005), sociology (GRÜN, 2003; JARDIM, 2009; JARDIM, 2011), legal studies (MONTAGNE, 2011), political economy (DATZ, 2013, 2014; SIROEN, 2011), and economic geography (BACHHER et al., 2016; CLARK, 2000a). As Gisele Datz (2014) highlights, however, despite the recognition of the importance of pension funds in the global economic dynamics and in the political process of Latin American countries, academic research has privileged an investigation focused on understanding financial markets and the "world of finance," associating these with private and global actors, giving little attention to "broadly domestic, also public, regulated actors, with long-term investment horizons" (DATZ, 2014, p. 484), such as pension funds.

In the field of geography – and more specifically in the fields of economic geography and finance – pension funds and their role as economic agents are still frequently overlooked. In the Global North, research linking the development of pension funds and the maturation of capital markets, as well as the flow of institutional capital through and in space and the impacts of their investments in the economy and real investment targets have been developed since the 1980s (CLARK, 1998a, 2000a, 2000b; DIXON, 2014; LEYSHON & THRIFT, 2007; FRENCH et al., 2011). However, in the Global South, research is still lacking that focuses on a more comprehensive analysis of the role assumed by pension funds in peripheral capitalism and, more specifically, on the

characterization of their investments made through space and in real assets, such as the real estate market, infrastructure assets, companies, etc.

Considering the importance of integrating pension funds as objects of study in economic geography, this article seeks to delimit some of the different approaches and paths of analysis through which the field of economic geography can deepen the dynamics involving the actions of pension funds in space and the economy. To this end, this systematization work relies on the survey and analysis of international bibliography that already explores the intersection of pension fund actions through and in space. It is believed that this systematization effort will assist in the development of the Brazilian economic geography field, which addresses issues related to spatial and economic dynamics promoted by, and involving the actions of, pension funds. It is important to note that this theoretical and propositional article originated from a completed master's degree (MAGNANI, 2021) and an ongoing doctoral research that seeks to analyze the actions of pension funds, their decision-making processes, and investment geographies in asset classes such as the real estate market.

This article is divided into two sections. The first covers the emergence of pension funds as objects of study in economic geography. The second explores three possible research paths within the field of economic geography, in which pension funds and their relationship with space can be highlighted. They are: 1) pension funds and the flow of institutional capital through space; 2) the effects of agglomeration economies on pension fund decision-making; and 3) space as an object of pension fund investments. We conclude by raising possible research agendas that can be developed from the three different proposed approaches.

Evidence in Economic Agents: The Emergence of Pension Funds as an Object of Study in Economic Geography

The 1980s were a milestone in the direction of economic geography due to the rediscovery of the region as a fundamental unit for coordinating the new capitalism. As authors like Benko & Lipietz (1994), Storper (1995), and Harvey (1989) show, the transition from the Fordist model to the flexible accumulation model resulted in significant changes in the accumulation regime, institutions and regulations, and society as a whole. In this so-called "post-modern" context (HARVEY, 1992), marked by the reduction of the role of the State, space gains importance as a fundamental unit of

analysis for modern capitalism (BENKO & LIPIETZ, 1994; DIXON, 2014; HARVEY, 1992; STORPER, 1995).

The possibility of spatial deconcentration, a model encouraged by the State during the Fordist accumulation period, ceased to be the trend for firm spatial organization. Firms, marked by changes in the capital-labor relationship and in the production process (vertical disintegration), seek to share the effects of agglomeration. In the process of vertical disintegration, the firm, the unit of analysis for much of the economic geographers of the period, begins to disintegrate its production chain, specializing in a specific function and subcontracting services and products from other firms. Thus, the reduction of transaction costs, the maintenance of contracts, and the monitoring of services are facilitated when the network of actors is located in the same locality, sharing the effects of an "agglomeration economy". Spatial proximity also allows companies access to a network of specialized suppliers, a labor pool, and an "atmosphere" that facilitates the creation and exchange of knowledge (STORPER, 1995). Presented these incentives for agglomeration in the form of "industrial districts," localities begin to seek differentiations (relative locational advantages) to become attractive to capital that flows through space more easily (BENKO & LIPIETZ, 1994; DIXON, 2014; STORPER, 1995).

In understanding the importance that a system of relations has in contributing to the exchange of knowledge, Storper (1995) adds – beyond the monetary aspects facilitated in the formation of economies of scale, treated by the Californian School – a new interpretation of agents for economic geography. Analyzing the region as a stock of relational assets (specific and differentiating), the author includes immaterial factors that justify a process of organization in regions – spatial proximity is not only explained by the transactional ease of goods but also allows communicative, interpretative, and coordinative dimensions to improve, giving rise to what the author calls "territorial conventions." Thus, for Gertler (2010):

"[...] interest in regional systems of innovation and learning certainly served to give recognition to the role and importance of regional institutions and distinctive sets of practices (or 'culture') within economic geography from the mid-1980s onwards (p. 4)."

The economic agents involved in these conventions are interpreted not only as production actors but as reflective subjects, whose actions and practices are largely

responsible "for how the built urban environment develops and evolves" (THEURILLAT et al., 2010). Recognizing the role of the agent – no longer interpreted through a broad concept, without understanding who they are and what their motivations are, that is, thinking there is "a central guiding characteristic in the behavior of all economic agents, regardless of who they are and what their immediate interests dictate" (GUIRONNET et al., 2016, p.5) – and the formation of interaction networks elucidate a new path for the field of economic geography, which begins to incorporate "economic action as a collective practice that is socially and territorially situated, that occurs in particular institutional and political contexts that need to be elucidated" (BATHELT & GLUCKLER, 2011; REIS, 2009 cited in SANFELICI, 2018).

The so-called relational approach of economic geography also brings three propositions that highlight the economic action of agents, which in turn are: 1) situated and shaped by social contexts and institutional arrangements that agents share at the moment of individual and collective action; 2) path-dependent, in the sense that decisions made in the past interfere with the range of decision possibilities made in the present, and finally, 3) contingent, since agents' strategies are not completely predictable and can change, even changing the action context in which these agents are involved (BATHELT & GLUCKLER, 2011). Recognizing the importance of encompassing, in the analyses of economic geography, the action of agents, Gertler (2010) adds that:

"Economic geography needs to offer more space for action, as it is made both by individual economic agents (managers, workers, entrepreneurs, and venture capitalists) and by organizations such as companies, producer associations, regional governance groups of unions, and universities (GERTLER, 2010, p. 5)."

It is from the understanding that agents and their trajectories interfere with how the economy, society, and territorial dynamics evolve that pension funds become objects of study for economic geographers. In the following section, we present three possible perspectives in which studies of economic geography focus on pension funds. The first refers to the flow of capital from institutional investors through space – a dimension treated more in-depth by the field of finance geography. The second concerns the sharing of practices and routines with the financial market, aiding in the formation of agglomeration economies – which contributed to the insertion of the "world of

finance" into pension funds and substantially altered their investment in and through territories. Finally, the third highlights the use of space and its assets (real estate, infrastructure, etc.) as collateral for financial assets focused on pension fund investment and the consequences for the urban environment.

The Object of Pension Funds in Economic Geography: Three Possible Perspectives

Focus 1: Pension Funds and the Flow of Institutional Capital Through Space

The first dimension in which studies in economic geography can address the relationship between the role assumed by institutional investors, such as pension funds, and space and the economy is embedded within the field of finance geography. In this field, attention to capital flows through space is placed at the center of geographers' analysis.

A well-developed literature in the Global North has sought to relate the involvement of pension funds and the development of the financial market in the 1980s and 1990s, stimulated not only by the ability to generate centralized savings but also by the demand for specialized services and vehicles by pension funds (LEYSHON & THRIFT, 2007; FRENCH et al., 2011; FROUD et al., 2002). The literature portrayed in this subsection, in turn, offers details on how the development of the financial market allowed pension funds to adopt more aggressive investment strategies, which was largely responsible for the rapid growth of their portfolios and assets (CLARK, 2000a; CORPATAUX et al., 2009; SAUVIAT, 2005; THEURILLAT et al., 2010; VAN LOON & AALBERS, 2017), and, more importantly for economic geographers, for the creation of different capital flows that transit through space in search of investment opportunities.

In "The New Geography of Capitalism," Adam Dixon (2014) investigates the growth of finance and its role in the new capitalism. For the author, the growth of finance, initiated in the 1980s, contributes to the connection of different territories. This process is facilitated due to "cross-border capital flows" that arise thanks to portfolio diversification practices adopted by large investors, such as pension funds. The absorption of financial measures and practices in the environment of pension funds (see more in CLARK, 2000a; CORPATAUX et al., 2009; SAUVIAT, 2005; THEURILLAT et al., 2010; VAN LOON & AALBERS, 2017; SANFELICI, 2018; THEURILLAT et al., 2014) leads to diversification not only in types of assets but also "tends to drive geographical diversification and expansion" (p. 35). Although there is not yet a portfolio considered

global, institutional investors, in Dixon's view (2014), by employing financial practices aimed at diversification, end up contributing to the capture of value generated (in production) from one space to another.

Some empirical research mapping pension fund investments and, therefore, the flow of capital flowing through space through their investments, are worth mentioning. Martin & Minns (1995) were pioneers in mapping investments made by British pension funds. According to the authors, 56% of investments made by pension funds were allocated to the British stock market, with a large portion of these shares being tied to an international and large company: two-thirds of all investments made by pension funds in this asset class were being directed to the 90 largest companies in the country, headquartered in the southeast of the UK.

Focusing more specifically on the real estate portfolio, Theurillat et al. (2010) and Van Loon & Aalbers (2017) examine, respectively in the Swiss and Dutch contexts, the location of investments made. In the case of Switzerland, the authors point out that "investment pockets," located in the main metropolitan areas of the most developed cantons (Geneva, Basel, and Zurich), are created thanks to the central role that external managers assume in selecting properties eligible for investment. Similarly, Van Loon & Aalbers (2017) point out that recently the flow of capital through space has been directed towards international investments (and therefore territories). Magnani et al. (2021) verify, for the Brazilian case, that the investment flow of pension funds is mainly destined for the states of São Paulo and Rio de Janeiro and their respective capitals.

The aforementioned authors' constant findings and critique revolve around the spatial concentration of investments made by pension funds. For the authors, this concentration of capital flow to a select number of companies, properties, and especially geographies is a major driver of socio-spatial inequalities.

Focus 2: The Effects of Agglomeration Economics on Pension Fund Investment Decision Making

The second approach through which economic geography can explore pension funds as a subject of study concerns the effects of spatial proximity of financial agents on investment decision making. In this perspective, space is an essential variable in understanding the practices and investments made by large institutional investors. In other words, attention to the spatial concentration of agents and the formation of

agglomeration economies helps explain why pension funds' investments are spatially selective, as explored in the previous subsection.

This approach first stems from the sharing of calculation techniques, methods, investment criteria, and rationalities as factors that explain the selectivity of investments made by pension funds. This sharing of calculation techniques – which contributed to what some authors call the "financialization" of pension funds (THEURILLAT et al., 2010; VAN LOON & AALBERS, 2017) – with the financial market and other actors is possible due to networks of relationships established in a context of spatial proximity (conventions) and agglomeration economies. Thus, by using the services of an industry that is "spatially and functionally centralized" (CLARK, 2000a, p. 34) in major global cities (DIXON, 2014; LIZIERI & PAIN, 2014), benefiting from "a relatively small, long-established, and dominant network of portfolio managers, professional consultants, and intermediaries" (HENNEBERRY & MOUZAKIS, 2013, p. 6), pension funds end up sharing social and economic practices that are territorially circumscribed.

Empirical studies such as Sanfelici (2018), for the Brazilian case, and Martin & Minns (1995), for the case of the United Kingdom, demonstrate that the concentration of financial intermediaries (investment banks, asset managers, securities brokers, etc.) and pension funds is noticeable and spatially concentrated, in the former case, in São Paulo and, to a lesser extent, in Rio de Janeiro and, in the latter case, in the southeast of the UK, especially in London. Shimbo et al. (2021) demonstrate that, for the Brazilian case, consulting firms, important financial agents, exerted direct influence on the portfolio management practices of Brazilian pension funds, which, for the authors, can be explained by the role of tacit knowledge – which requires, for its transmission, daily face-to-face interaction and is less accessible to those who are not present in convention networks – acquired by these service providers. In this sense, Lizieri & Pain (2014) add that:

"The concentration of headquarters of transnational corporations, international institutions, and specialized professional and business services, especially banking and financial services, law, accounting, advertising, consulting, etc., has led to hierarchical tendencies that have

made a small number of world cities both 'base points' and 'command points,' articulating financial flows on a global scale. [...] businesses of high complexity, high value-added, low transaction volume – corporate finance, fund management, capital raising, and mergers and acquisitions, for example – depend on information and tacit knowledge exchange – and close client contact. This leads to greater concentration, a concentration further fueled by the need to access a deep reserve of skilled labor" (LIZIERI & PAIN, 2014, pp. 441-443).

When researching the role of spatial proximity in the secondary stock market, Wójcik (2009) concludes that the effects of proximity extend to other types of markets and different financial products, such as the real estate market and its assets. For the author: "Financial agents take advantage of proximity whenever it promises access to valuable information" (WÓJCIK, 2009, p. 157).

As observed in the aforementioned empirical studies, the effects of agglomeration economics on pension fund investment decision making are relevant and important to be addressed as one of the factors explaining the flow of institutional capital through space. The most evident effect of the agglomeration economy formed by pension funds and financial agents, who interact with each other, is the creation and circulation of similar rationalities and beliefs. This sharing causes agents to adopt mimetic behavior, i.e., they start to invest similarly – this behavior is also referred to in the literature as "herd behavior" (CLARK, 2000; LIZIERI & PAIN, 2014; STRAUSS, 2008, 2009).

A criticism raised by this literature is the fact that, by sharing a same agglomeration economy on a daily basis, following an investment practice that follows "herd behavior," institutional investors end up directing their resources to the same types of investments and, more importantly, to the same territories. As concluded by some authors in the field of economic geography, this selective and recurring direction perpetuates socio-spatial inequalities by concentrating investments in the same territory, leaving behind other territories that do not meet the investment allocation

criteria raised at the time financial actors make their decisions (see especially HENNEBERRY & MOUZAKIS, 2013; LIZIERI & PAIN, 2014).

Focus 3: Space as an Object of Pension Fund Investments

The third focus of economic geography aims to relate the actions of pension funds to broader issues involving space and the economy, specifically addressing the process of converting real assets of the economy – such as real estate and infrastructure – into financial assets. In this sense, this focus aims to recognize and analyze how real assets – where risks and returns are understood in relation to the specific space-time of economic and production cycles – are "translated" and "aggregated" into financial assets – where the risk-return dichotomy corresponds to a financial engineering exercise (CORPATAUX et al., 2009 as cited in VAN LOON & AALBERS, 2017).

Space and its real assets, such as real estate and infrastructure, have become investment targets for pension funds in recent years. These economic agents have sought to adopt a portfolio allocation strategy that seeks, on one hand, more aggressive assets such as stocks and private securities, and on the other hand, portfolio diversification, aiming to gain financial returns in different asset classes such as real estate and infrastructure. Due to the possibility of long-term investment and the need for diversification – especially in periods of decreasing interest rates (BONIZZI & KALTENBRUNNER, 2018) – space, and more specifically, a set of urban objects (land, buildings, houses, highways, airports, etc.) with the potential to generate future income flows, has become an important investment class for institutional investors (HAGERMAN & HEBB, 2009; O'NEILL, 2009; WIJBURG & AALBERS, 2017). Hebb & Sharma (2014) add that investment in commercial real estate and infrastructure becomes strategic for pension funds because "if something has been learned from the recent financial crisis, it is that new investment opportunities are not in short-term financial engineering [...], but in long-term investment leading to sustainable growth" (HEBB & SHARMA, 2014, p. 487). Since pension funds have long-term liabilities, they have the available time to wait for the return on urban investment (BACCHER et al., 2017; HAGERMAN & HEBB, 2009).

In an environment of decreasing interest rates, the strategy of concentrating most of the pension fund portfolios in bonds is being seriously reconsidered. Now, the search for more profitable and diversified investment options has become imperative for pension funds that need to meet substantial actuarial rates [...]. This new imperative for diversification has pointed towards infrastructure projects along with stocks

(particularly attractive in times of economic contraction), real estate, and private equity. (DATZ, 2013, p. 122)

Here, we will revisit the involvement of pension funds in infrastructure projects, urban revitalization, and commercial real estate investment, highlighting mainly how and why these urban objects have become investment targets for pension funds and the impacts, as brought by current literature, generated from this "conversion."

Considering the process of asset securitization that transformed infrastructure items into financial assets, as well as the property relationships that need to be secured to allow this transformation (O'NEILL, 2013), Hagerman & Hebb (2009) argue, in line with the above, that portfolio diversification has attracted many pension funds to invest in urban infrastructure. Despite this demand, this type of investment is considered illiquid, meaning it is not easy and quick to resell in the market (SHIMBO et al., 2021). Thus, to mitigate some risks associated with this low liquidity, pension funds seek to allocate a low percentage of their portfolio to this asset class, invest through financial vehicles backed by infrastructure, and, to avoid the risk of geographical concentration or presence in only one project, they seek diversity in these investment vehicles (HAGERMAN & HEBB, 2009).

Despite its low liquidity, O'Neill (2009) argues that infrastructure has distinctive characteristics that make it an advantageous type of financial product for institutional investors. In the author's view, urban infrastructure: 1) generates predictable and stable financial returns, making this investment class attractive for fund managers dealing with volatile returns from other markets and high actuarial targets; 2) is a type of asset that typically holds a monopoly or oligopoly position, thus generating an inelastic and recession-proof demand; and 3) has legal incentives (such as guarantees), often provided by governments, which enable a privileged position for investors.

Hebb & Sharma (2014), on the other hand, highlight the participation of US pension funds in urban revitalization projects due to the shift, in the authors' view, that has occurred in the funding pattern of US cities: moving away from direct government investment and towards long-term private sector investment, especially provided by pension funds. The authors argue that this change in the funding pattern offers a dual opportunity: to improve cities and, at the same time, improve the allocation of pension fund investments, due to the long-term investment horizon and high return rates that urban revitalization projects suppose – "for most public pension funds, real estate investment offers a third, tangible and accessible opportunity to engage in urban revitalization" (HEBB & SHARMA, 2014, p. 489). As shown in the works of Weber (2010,

2015) and Guironnet et al. (2016), the perspectives of financial agents, such as pension funds, in extracting financial returns from real estate investments, have consequences for the built urban environment. One of these consequences is the adaptation that real assets need to undergo to be included in a pension fund investment portfolio.

Finally, real estate investments are also seen as strategic for pension funds in that "not only are returns on property no longer considered low, but property is increasingly associated with the virtues of diversification [...]" (THEURILLAT et al., 2010, p. 21). Wijburg & Aalbers (2017) also point out, based on the ideas of Hegg & Dörry (2009), Scharmanski (2012), and Berry et al. (1999), that commercial real estate has become an important outlet for institutional investors in Germany and France, as the profitability of stocks and government bonds has decreased (context of low interest rates), compromising the actuarial commitment of entities – "[...] wealth management by French and German institutional investors increasingly depends on investments in commercial real estate" (WIJBURG & AALBERS, 2017, p. 315). In order to overcome information asymmetries, which are often present in this class of targeted investments - infrastructure, urban revitalization, and commercial real estate - pension funds have chosen to invest in this asset class through specialized vehicles (HEBB & SHARMA, 2014). Thus, the presence of specialized agents is crucial in translating the unique qualities of "real assets" into levels and categories of risk and return (THEURILLAT & CREVOISIER, 2013). Therefore, the involvement of institutional investors in real estate investments, whether at the scale of commercial real estate, infrastructure, or urban revitalization projects, can be explained not only by the motivations mentioned above, but also: 1) by the role of specialized intermediation that offers selective services and vehicles, containing these selected urban objects and territorially concentrated (THEURILLAT & CREVOISIER, 2013; VAN LOON & AALBERS, 2017) and 2) by programs and facilitative instruments that attract the participation of institutional investors in urban development projects (GUIRONNET et al., 2016; WEBER, 2010).

Finally, the involvement of institutional investors as investors in real assets has different impacts. Theurillat & Crevoisier (2013) analyze the governance and negotiation processes between private and public agents in two urban projects in Switzerland, both funded by pension funds, one carried out through indirect investments (financial vehicles) and the other through direct investment. In both situations, the authors highlight the strategies of local actors to "anchor" financial capital in the territory. This strategy, involving a broad negotiation process among the agents involved in urban projects, promotes, in the authors' view, the confrontation of different expectations and

rationalities of the actors involved. The authors note that pension funds remained distant from some negotiations regarding the structure of the projects, but that local actors, even with this greater distance, ended up "shaping" the urban projects so that they became attractive to this class of investor.

Similarly, Guironnet et al. (2016) seek to understand how an urban renewal project in the city of Paris was altered by the involvement of financial actors. The research showed that institutional investors involved in the negotiation succeeded in defining the typology of the region's properties to meet their risk and return expectations. This influence included aspects such as minimum floor size, construction specifications according to international standards, location in relation to public transportation, etc. Halbert & Attuyer (2016) and Halbert (2010) also emphasize that the specificities required in urban projects and real estate developments are generally selected with the aim of meeting the needs of better tenants, such as blue-chip companies, multinational corporations, and companies in select sectors of activity. In addition to ensuring the occupation of commercial properties by companies with good ratings and, therefore, a good prospect of paying high rents, Halbert (2010) adds that institutional investors, such as pension funds, seek to invest in large properties (such as corporate floors) to facilitate economies of scale in both construction and property management. Finally, Halbert & Attuyer (2016) further conclude that the investments of institutional investors lead to spatial selectivity due to the choice of cities that receive investments.

Possible research agendas involving the economic geography of pension funds

This article aimed to identify possible analytical approaches in which pension funds become objects of research in the field of economic geography. Revisiting the importance of understanding economic agents as reflective subjects with rationalities and practices, economic geography stands to gain much from a more detailed analysis of large institutional investors. In this conclusion, we will develop possible research agendas connected with the three analytical approaches proposed throughout the article, which are: 1) pension funds and the institutional capital flow through space; 2) the effects of agglomeration economies on pension fund decision-making; and 3) space as the object of pension fund investments.

The first approach - pension funds and the institutional capital flow through space - highlights the importance of analyzing institutional capital flows through space. It is through this avenue that research in the fields of economic geography and finance

geography maps where institutional capital managed by pension funds, in different asset classes, corresponds in space. As many of the studies mentioned throughout the article indicate, the investment dynamics of pension funds increasingly produce a selective flow of capital, both in investment classes and in geographies.

Possible research agendas can be found by following this approach. The first one deserving attention is the need, especially in the Global South, for research that maps the capital flows generated by pension fund investments. In this sense, in order to trace a geography that accounts for showing the concentration (or lack thereof) of the origin of resources, investment decision-making, and also the destination of these investments, a detailed and careful mapping of each of these spheres is necessary. A latent difficulty in carrying out this agenda is the challenge of accessing centralized and standardized information about pension funds' investments in different asset classes.

The second approach illuminates how the territorial unit of analysis is important in understanding how practices, instruments, and rationalities are shared by economic agents, including pension funds and their financial intermediaries. As demonstrated, the literature in this line points to the fact that the sharing of these practices is a direct result of the territorial concentration of financial agents, which, in turn, form agglomeration economies in major global cities.

Economic geography in the Global South, in this sense, falls short in not analyzing with sufficient depth the dynamics of interaction of economic agents. It is from this realization that a fruitful research agenda in the Global South is suggested, namely, a more detailed analysis of how the sharing of practices, routines, and rationalities among economic and financial agents is the result of an environment that fosters such sharing. In this sense, a possible agenda involves understanding the criteria raised by pension funds, financial intermediaries interested in managing their assets, financial consultants, etc., when they choose their headquarters. Furthermore, it is necessary to understand how the exchange of information between these agents is affected (or not) by their proximity and how this exchange affects (or not) the geography of their investments. A possible methodological difficulty in accessing the dynamics of interaction between agents is the necessary immersion of the researcher in the daily rationalities and practices. However, this difficulty can be overcome through conducting interviews that prioritize close dialogue (Clark, 1998).

Finally, the third approach analyzes the "conversion" of space and its real assets - such as real estate and infrastructure - into a financial asset focus of pension fund investment. Many studies in the field of urban financialization (SANFELICI, 2013; FIX,

2011) have already analyzed this conversion process in a detailed and well-explored manner. However, concerning a research agenda in the field of economic geography aimed at highlighting the role of pension funds in the financialization of space, some empirical gaps remain: 1) regarding the active role played by Brazilian and Latin American pension funds in the development of assets backed by real and urban assets, such as real estate. - What are the criteria of these agents in creating investment vehicles? How do these actors contribute to the development of a financial asset market that is supported by the value and use of space?; 2) regarding the territorial and urban results and effects generated by the massive investment of pension funds in "alternative" asset classes, which directly affect space. Part of this agenda was partially addressed in Sanfelici & Magnani (2022) and Magnani et al. (2021).

This article sought to elucidate the different analytical paths that the field of economic geography can explore by analyzing pension funds and their role in the economy and space. It is important to emphasize that the approaches worked on, as well as the reviewed literatures, are only a first step toward understanding the subject and its possible development in Latin America and Brazil.

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The Financial Industry Sets Sights on Institutional Investors: A Relational Approach to Property Investment Outsourcing

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Abstract

Over the past few decades, pension funds have emerged as major players in global financial markets as the reserves they manage have grown steadily. In this context, trustees are confronted with acute dilemmas regarding how best to generate investment returns to beneficiaries. This involves crucial decisions regarding the diversification of investment portfolios as well as decisions on whether, when, and to whom to outsource investment functions and tasks. The literature in economic geography has frequently treated outsourcing decisions as taken by the asset owners based on criteria such as costs of coordination, availability of information regarding market segments, governance structure, (lack of) internal expertise, amount of assets under management, etc. Focusing on the outsourcing of property investment by Brazil's largest pension funds and drawing on a relational approach, this article investigates the actions taken by the real

estate investment trust (REIT) industry to attract and retain pension fund money into their investment vehicles. It is claimed that REIT managers have acted on three dimensions to capture pension fund money: (1) by influencing the regulatory framework affecting pension funds, (2) by building networks of trust with pension fund managers and trustees, (3) by adapting internal procedures to the expectations and needs of institutional investors. Our results show that a focus on the power of financial market actors to reshape relational networks to their benefit provides a different perspective on the reasons pension funds outsource investment management, thus raising key theoretical and policy issues.

Introduction

Over the past few decades, pension funds have emerged as major players in global financial markets as the reserves they manage have grown steadily (Clark 2000; Clark and Monk 2017). While this phenomenon has been more pronounced in liberal capitalist economies, pension funds have also been gaining ground in other places as demographic changes and economic reforms have pushed a larger share of the working population toward partially or fully funded pension plans (Dixon and Monk 2014; Raddatz 2014). As the cash reserves managed by such organizations grow, trustees are confronted with acute dilemmas regarding how best to generate investment returns. This involves not only crucial decisions regarding the diversification of investment portfolios but also decisions on whether, when, and to whom to outsource key investment functions and tasks (Clark 2000; Clark and Monk 2013a; Clark and Monk 2017). Indeed, an expanding investment industry has flourished in tandem with the growth of pension fund reserves by supplying a broad range of investment products and services to the latter, and economic geographers have been documenting and analyzing the evolving relationships between pension funds and financial service providers and their outcomes (Hagerman, Clark, and Hebb 2007; Monk 2009; Clark 2017; Urban 2019).

Less is known, however, about the specific types of investment products developed by the financial industry for pension funds as well as about the concrete efforts made by

financial market institutions to attract pension fund money. This is more so in the case of the economies of the Global South, where an investment industry is still maturing and little is known about its recent development (Lai et al. 2020). Indeed, in this context of nascent capital markets, much can be gained, both empirically and theoretically, from a deeper understanding of how emergent and rapidly evolving power relations among asset owners and asset managers shift the direction of investment flows in space.

This article seeks to fill this gap by looking into the evolving relationships between large pension funds and the financial industry in Brazil through the lense of a relational approach to finance. By throwing the spotlight on how market transactions are embedded in and shaped by shifting webs of relationships among market actors, a relational framework allows us to see how the centralization of money by the financial industry is always infused with power relations, as opposed to simple market transactions driven by price signals as described by mainstream economics. Focusing on real estate investment trusts (REITs), we show that a recently developed real estate-financial complex has operated on several fronts to channel pension fund money into such investment vehicles, since the investor base that first boosted REITs in Brazil beginning in the 2010s—predominantly individual, middle- and upper-class investors (Sanfelici and Halbert 2019)—has provided limited scope for further growth lately. Through a qualitative inquiry into the key actors involved with the management of pension funds' property portfolios, we describe how the strengthened links between pension funds and the financial industry in the management of property investments were a product of shifting relationships among key actors in financial markets. Additionally, we explore the potential implications of the relational proximity between these actors.

We contend that broader conceptual and theoretical insights can be drawn from this study, since it regards outsourcing as a relationally constructed process that has far-reaching social and geographic implications. By placing the evolving, power-laden (market and nonmarket) relationships connecting key actors in finance center stage—including asset owners, asset managers, regulators, etc.—we were able to demonstrate *how the pooling of money by financial institutions is politically and socially constructed and how it may drastically change the geography of money flows*. In other words, this article

addresses the spatiality of finance and money by showing how this spatiality is relationally created. This, we claim, is an important finding not only for scholars interested in understanding how and why money flows from one place to another but also for those who are interested in critically analyzing the pooling of capital by a very limited number of financial players in the world and the urban and regional outcomes generated by their investments. Additionally, looking specifically into the dynamics of property investment vehicles is worthwhile, since commercial real estate has become a strategic asset in the portfolios of institutional investors worldwide (Theurillat, Corpataux, and Crevoisier 2010; Andonov, Kok, and Eichholtz 2013; Bonizzi and Kaltenbrunner 2019). By providing an analysis of how asset managers work to pool pension fund money into property investment vehicles, we show how such financial intermediaries are increasingly asserting control over property investment circuits. The article is structured as follows. The first section consists in a brief literature review that addresses issues related to pension fund asset management, their decisions of outsourcing investment functions, and the role played by the financial industry in setting up and managing alternative investment products for these investors. The second section provides an overview of the relationship between Brazilian pension funds and REITs, describing the regulatory, macroeconomic, and governance issues behind the growing trend toward outsourcing property portfolios. The third section outlines the methodology used in the study. Finally, the last section lays out the empirical results of our research, highlighting the relationship established between pension funds and Brazil's fledgling financial industry and describing how, specifically, a range of financial intermediaries have actively worked to attract pension fund money to the property investment vehicles they manage.

Outsourcing, the Alternative Asset Industry, and the Selective Territorial Patterns of Financial Intermediaries: Brief Discussion

The governance of the investment process is a fundamental element for the success of portfolio resource allocation in pension funds (Clark and Urwin 2008). One of

the key governance decisions faced by pension funds concerns whether to manage resources in house or to delegate key investment tasks to financial service providers (Clark 2000; Clark and Monk 2017).

The challenges posed by portfolio management are compounded in a context where pension funds are expected to diversify their portfolio more extensively. As the global economy gradually moved toward a scenario of lower interest rates over the past twenty years, pension funds have had to resort to so-called alternative investment products to achieve investment returns deemed adequate to meet pension liabilities (Clark 2000; Monk 2009; Bonizi and Kalterbrunner 2019). The latter refer to asset classes, such as private equity, infrastructure, housing, and real estate, which promise greater returns but generally also entail new types of risk that have to be assessed and dealt with (Andonov, Kok, and Eichholtz 2013; Datz 2014; Hebb and Sharma 2014). By promising higher (and noncorrelated) return rates to pension funds, alternative investments like property have thus become key targets of these organizations' investment strategies, and the financial industry has stepped in to offer a range of investment vehicles to meet this rising demand.

Lately, a number of critical studies has cast light on the growing relationship between institutional investors and the financial industry. We summarize here two strands of literature that are worth reviewing for our purposes. The first encompasses studies in the field of financial geography that have analyzed the outsourcing of investments from pension funds to the financial industry more generally. The second covers research that has addressed more specifically the increased use of financial services by pension funds seeking returns in alternative markets, including property.

Outsourcing and the Evolving Relationship Between Institutional Investors and Asset Managers

Financial geographers have paid attention to the decisions made by pension funds when investing and how they engage with a range of service providers in the financial

industry. The decision to outsource key tasks and functions of portfolio management to the financial industry is generally understood as made by the assetowners based on several criteria such as costs of coordination and availability of information regarding market segments, governance structure, (lack of) internal expertise, amount of assets under management, and so on (Clark 2000; Clark and Monk 2013b).

Regarding the relationship between asset owners and asset managers, Clark and Monk (2013b, 2014) highlight some of its common features: first, the relationship between these actors is generally long-lasting, since there are transaction costs related to finding new service providers; second, the financial industry is responsible for delivering services(but hardly tailors its services to the needs of pension funds (there is, therefore, standardization of contracts that are usually based on benchmarks set by the asset owner); third, pension funds generally seek multinational service providers headquartered in global cities that can often offer contracts in offshore jurisdictions (Wójcik 2013). Due to their size and broad scope of operation, financial intermediaries set in motion scale economies, thus obtaining greater access to relevant market information (this is even more important when alternative and offshore investments are made, as shown by Clark and Monk (2013a) and Hagerman, Clark, and Hebb (2007).

A number of studies has investigated in more detail the investment of pension funds in alternative investment classes—including property, infrastructure (see more in O’Neill 2009, 2013; Hagerman and Hebb 2009), and more recently, ESG investments (Lachance and Stroehle 2021)—and the role played by the financial industry in managing and creating these investment opportunities. These studies show that, as interested as the pension funds may be in directing their investments to “alternative investment products” (Clark 2000), large institutional investors face several constraints related to the scarcity of information on these markets and the political governance issues that these investments are prone to (Clark 2000; Hagerman, Clark, and Hebb 2007; Datz 2013, 2014). In order to tackle these problems, most alternative investments made by pension funds are delegated to the financial industry, which has the power to pool the money into a scale that makes economic sense, thus providing valuable knowledge about the market, including information on regulatory trends; key players involved; new investment

opportunities; and, sometimes, lobbying activities (Clark 2000; Hebb and Sharma 2014).

This expertise comes with costs, however. Some scholars have demonstrated how outsourcing impacts the performance of pension funds as compared to in-house management. Urban (2019), Andonov (2020) and Andonov, Kok, and Eichholtz (2013), for instance, have mobilized quantitative tools to demonstrate that the delegation of investment to the financial industry, widespread in the Anglo-American world, is costly and generates lower returns for pension funds as compared to in-house management. As highlighted by some financial geographers, assets directly managed by pension funds not only generate better financial returns but could also potentially be harnessed to long-term sustainable development goals (Hagerman, Clark, and Hebb 2007; Bachher, Dixon, and Monk 2016; Clark 2017; Urban 2019).

None of these studies, however, has addressed more specifically the investments of pension funds in real estate investment vehicles, as well as their broader social, spatial, and economic impacts.

Real Estate Investment Vehicles as Emerging Urban Investors

A second strand of literature that deserves attention concerns the growing number of studies, mostly in economic geography and urban political economy, that has looked specifically into listed and nonlisted real estate investment vehicles. Although this literature acknowledges that the growth of these investment vehicles is largely fueled by institutional money, it is overall less interested in the relationship between asset managers and institutional investors than in understanding the conditions that enabled the growth of REITs and private equity in particular national contexts and in analyzing how the financial industry manages such money using its particular filters of risk and return.

At a more general scale, scholars have looked into the institutional and regulatory changes that paved the way for the growth of listed REITs in different national contexts such as the US (Gotham 2006), Ireland (Waldron 2018), France (Wijburg 2019), Brazil (Sanfelici and Halbert 2019), and Japan (Aveline-Dubach 2022). Overall, researchers have drawn attention to the state's purposive actions to foster the development and growth of

these investment vehicles, often justified on the grounds of their potential value for urban and economic development. These studies often underscore, furthermore, the growing capacity of the financial industry to shape policy interventions and tax regimes affecting real estate-backed vehicles, either through formal lobbying or informal policy networks.

Several scholars have also carried out more in-depth, grounded analysis of the impacts of such financial investment strategies for specific cities and regions (Cattaneo Pineda 2011; Fields and Uffer 2016; August and Walks 2018; Halbert 2018; Janoschka et al. 2020; Aveline-Dubach 2022; Raimbault 2022). Although this literature covers financial vehicles backed by diverse types of underlying assets, the recent focus on the rise of corporate landlords operating in rental housing markets has shed light on the central features of such investors. Two key implications are underscored by the literature as a result of the growing influence of such investors. The first refers to the spatial and asset selectivity of investment practices, which reflects both risk mitigation concerns (priority to locations and assets that can attract more reliable tenants) and a search for scale economies (fewer larger assets instead of a scattered portfolio of smaller assets). The second points to the aggressive investment behavior exhibited by such investors, especially with regard to their efforts to boost revenues by cutting management costs, replacing tenants, and raising rents.

Focusing more specifically on the so-called financialization of pension funds, Theurillat, Corpataux, and Crevoisier (2010) and Van Loon and Aalbers (2017) examine, respectively in the Swiss and Dutch contexts, the growing outsourcing of pension funds' property investments to financial vehicles. The authors highlight that the property allocation strategy has changed considerably once the money started to be managed by financial intermediaries, especially REITs. In the Swiss case, the authors point out that investment *pockets*, located the main metropolitan areas of the better-developed cantons (Geneva, Basel, and Zurich), are created thanks to the central role that external managers assume in the selection of eligible properties to invest in. Similarly, Van Loon and Aalbers (2017) point out that the Dutch funds' territorial investment pattern has

considerably changed since they increased outsourcing. According to the authors, financial intermediaries are now responsible for internationalizing the property portfolios of the Dutch pension funds.

A Relational Approach to Property Investment Outsourcing

The two strands of literature reviewed here deal with different aspects of financial intermediation in the so-called alternative assets segment. Scholarship in financial geography has made crucial progress in understanding what drives institutional investors to seek third-party financial service providers (Hagerman, Clark, and Hebb 2007; Clark and Monk 2013b, 2014; Urban 2019). However, given its general focus on portfolio management, this literature does not give proper attention to how the relationship between institutional investors and financial intermediaries is contingent on the nature of the financial product that is the object of the transaction. Furthermore, it tends to see markets for third-party services as mostly stabilized markets, with a wide range of investment options readily available to institutional investors—in part an expected characterization, given that these studies are mostly dealing with so-called mature markets in the Global North. By focusing on relatively stabilized markets, it thus misses how the market for asset management services is actively constructed by these actors in their everyday relationships (Fligstein and Dauter 2007). This view of markets as essentially in flux is all the more relevant to Global South economies, where specialized financial services are still a relative novelty.

For their part, scholarship in urban political economy has made substantial contributions to explaining how property investment vehicles are effectively run by financial intermediaries and what consequences they have for cities and regions, given the choices made by asset managers (Van Loon and Aalbers 2017; Waldron 2018; Wijburg 2019). However, by focusing on the side of asset and property management, this literature takes for granted how these vehicles attract the institutional money that is so relevant for them to reach scale and gain power to shape cities and regions.

In this article, we address some of these gaps by shifting attention to how a market in specialized asset management in a property investment vehicle (REITs) is actively constructed by actors. Drawing on a relational approach to economic practice (Dicken and Malmberg 2001; Yeung 2005; Bathelt and Gluckler 2003, 2011), we view pension fund decision-making in property investing as embedded in shifting webs of relationships involving not only pension fund managers and asset management firms but also policy makers, regulators, government bureaucrats, consultants, and business associations. Regarding these “dynamic and heterogeneous relations among actors and structures [. . .] as causal mechanisms of socio-spatial change” (Yeung 2005, 38) and understanding relationality as imbued with power, our research brings into view the ability of asset managers to rearrange these webs of relationship to their favor, thus strongly reshaping the relational geometries underlying property investment.

Research Methodology

In our research, we adopted a mixed-method approach comprised of four steps. First, we delved into the grey literature and press material to understand the investment and management strategies of pension funds as well as REITs policy agendas and recent growth. Second, we examined the property portfolios of the ten largest pension funds from 2017 through 2020 in order to trace the evolution of indirect investment in property. Through the analysis of pension fund portfolios, we were able to identify key asset management firms. This has helped us track managers to be interviewed.

Third, we conducted twenty-six semistructured interviews from 2019 to 2021 with (1) REIT managers of the largest asset management firms in Brazil (thirteen interviews); (2) property market consultants that advise Brazilian pension funds (two interviews); (3) private and state-owned pension fund managers that work directly with the largest property portfolios (seven interviews) and; (4) stakeholders involved with Resolution 4.661 (Brasil, 2018) issued by the National Monetary Board (NMB) (see below), which banned direct investment in property by pension funds, including pension funds and

capital market representatives and government bureaucrats (four interviews). To track the evolution in the implementation of Resolution 4.661, some interviews were conducted at two different moments, with a gap of one to two years.

For all the interviewees, we posed questions related to the context and changes in the Resolution 4.661, the ongoing changes in the business context of both asset owners and asset managers, and the impact of the prohibition of direct property investment by pension funds. Especially for the first group of interviewees, we posed questions related to their relationship with pension funds, how the firm has been adapting after the passing of the Resolution 4.661, how are exclusive vehicles for pension funds designed, etc. The same orientation was followed when we conducted the interviews with the third group.

For the second group, we inquired primarily about how real estate consultants view the prohibition of direct investment by pension funds as well as about the evolving interactions between pension funds and REITs. Finally, to the stakeholders, we posed questions related to the Resolution 4.661 agenda setting such as how the association (or the government body) participated in the preliminary discussions that occurred in order to shape the regulation text and how the financial industry (and REITs, more specifically) and pension funds received (or participated actively in shaping) the resolution, among others.

The interviewees were carefully selected to provide a representative sample of the main actors involved. First, as we will comment in the following section, participant observation in industry events was important, since it allowed us to select members of the financial industry who were in some way trying to establish contact with pension funds. However, in order not to select a biased sample of interviewees, that is, only industry representatives who were keenly interested in approaching pension funds, we also selected a number of REIT managers who were absent at such events and who worked at both large and small firms. Concerning group (3), above (pension fund managers), we have selected interviewees who directly manage the real estate assets of the ten largest pension funds (see Table 1), which hold about 90 percent of the total invested in real estate by Brazilian pension funds. Finally, in selecting stakeholders involved with Resolution 4.661, we have taken care to approach high-level executives who represent

different interest groups—pension funds, financial industry, and government—and who have acted as policy makers and policy articulators. Accessing the end decision-makers, in this case the members of the NMB, has proved impossible, though we believe that by the strategic positioning and trust that the interviewees have with the NMB members, we were able to indirectly access the motives and rationale behind the board’s decision-making.

Lastly, one important part of the methodology involved participant observation in events and conferences (four annual in-person meetings and a series of online events) promoted by the financial industry and pension funds. In those occasions, we were able to grasp the developing relationships between asset managers and institutional investors and, more importantly, how investment firms have used these events as key networking opportunities.

Table I

Brazilian Pension Funds’ Property Investments (2019, US\$ Millions)

Pension Fund	Sponsoring Firm Type	Assets under Management	Value of Property Holdings	%
PREVI	Public	41,250	2,767	6.7
PETROS	Public	17,578	837	4.8
FUNCEF	Public	14,260	1,177	8.3
Funcesp	Private	6,196	140	2.3
Fundação Itaú Unibanco	Private	5,543	194	3.5
Banesprev	Private	4,977	133	2.7
VALIA	Private	4,786	251	5.2
SISTEL	Private	3,739	113	3.0
Real Grandeza	Private	3,462	227	6.6
Forluz	Private	3,247	158	4.9
Total		105,040	5,999	5.7

Source: Pension fund annual reports and ABRAPP statistical report (December 2019).

The Institutional Context and Recent Incentives to Outsourcing

Pension funds must invest their resources in a wide range of financial assets as a way of guaranteeing a balanced investment portfolio (Clark 2000; Andonov, Kok, and Eichholtz 2013; Clark and Monk 2017; Bonizzi and Kaltenbrunner 2019). As the studies reviewed above have shown, these resources are commonly delegated to the financial

industry. In Brazil, however, two institutional features explain why Brazilian pension funds have historically self-managed a substantial share of their portfolios and why they have only recently begun to delegate their resources to the financial industry.

The first regards the historically high interest rates prevalent in the country after inflation stabilization in 1994. This characteristic of Brazil's economy has allowed pension funds to meet their liability commitments by investing predominantly in fixed-income assets and, more specifically, in government bonds. This concentration of portfolios on fixed-income assets had the advantage of generating returns for pension funds with low management costs. However, this favorable investment scenario has limited, on the one hand, the establishment of in-house expertise in new asset classes while constraining, on the other, the development of a local financial industry specialized in managing pension fund resources.

A second feature that has limited outsourcing has to do with the investment behavior displayed by the state-sponsored pension funds—still the largest funds—that have acted as “aligners of the state, helping to finance domestic investments that are not only economically relevant, but politically significant to the rulers in power” (Datz 2014, 490). In this sense, the involvement of pension funds in Brazil's developmental agenda has given rise to a *collaborative engagement* with the state (Grün 2003; Datz 2013, 2014; Lazzarini 2018). This has limited the extent to which these funds have delegated their investments to the financial industry because they must ensure that the pension funds' decision-making prioritizes certain types of targeted investments.

This scenario has significantly changed over the past few years on these two dimensions. For one thing, interest rates have declined substantially since the mid-2000s, despite occasional hikes to curb inflation. This has prompted discussions within circles of pension fund managers on how to achieve their target rates of return, given that government bonds no longer meet such goals satisfactorily. Several industry events have revolved around the search for and management of new asset classes and, given that most pension funds do not possess in-house expertise to enter new knowledge-intensive private markets, interest in the services provided by the financial industry has grown in

tandem. Over the past two years, several pension funds have increased diversification and outsourcing, chiefly by buying shares in equity funds (Investidor Institucional 2021a) and by transferring a large share of their portfolios to asset managers (Investidor Institucional 2021b).

The second change that has encouraged pension funds to outsource their investments was the *Lava Jato* (Operation Car Wash), a massive judicial investigation into graft targeting state-owned enterprises, political parties, government contractors, and pension funds. While the *Lava Jato* was later greatly discredited due to having used questionable methods (Londoño and Casado 2019), it has delivered a blow to large state-sponsored pension funds that were accused of involvement in shady deals with state-owned firms and political parties. Most of the schemes uncovered involved targeted investments in property and private equity funds. In the wake of these investigations, discussions on pension fund governance came to the fore among policy makers, regulators, and financial industry experts, with many raising doubts on the ability or willingness of pension fund trustees to carry out a sound investment policy (Sanfelici and Magnani, 2022).

In this context, and taking advantage of the political changes brought about by the administration of President Michel Temer (2016-18), which strongly encouraged the interaction of government agencies with capital markets, the NMB issued in 2018 a new ruling concerning pension fund investment policy, which has provided further incentives to outsourcing. Among other things, the ruling (1) introduced new investment limits for different classes of assets; (2) increased the maximum limit on investment classes classified as higher risk such as foreign investments and private equity investments; (3) established criteria for the selection of external managers; and, the great novelty, (4) prohibited pension funds from directly investing in real estate, while maintaining permission for indirect investment through investment vehicles.

Although the resolution covered all asset classes that pension funds are allowed to invest in, the major change it brought about concerned the real estate portfolio allocation. With a twelve-year time window to comply (until 2030),

Table 2

Investment Firms with Largest Amount of REITs under Management in Brazil*

Investment Houses	REITs under Management (US\$ Million)
BTG Pactual	3,192
Kinea Investimento LTDA	2,538
Rio Bravo Investimentos LTDA	1,747
XP Asset Management	1,730
Credit Suisse	1,530
Votorantim Asset	1,444
BRL DTVM	1,257
Hedge Investments	1,072
BRPP Gestão de Produtos Estruturados	982
Oliveira Trust DTVM	868
Other	11,837
	28,199

Source: Anbima (2020).

* We include here all financial institutions that manage such investment vehicles.

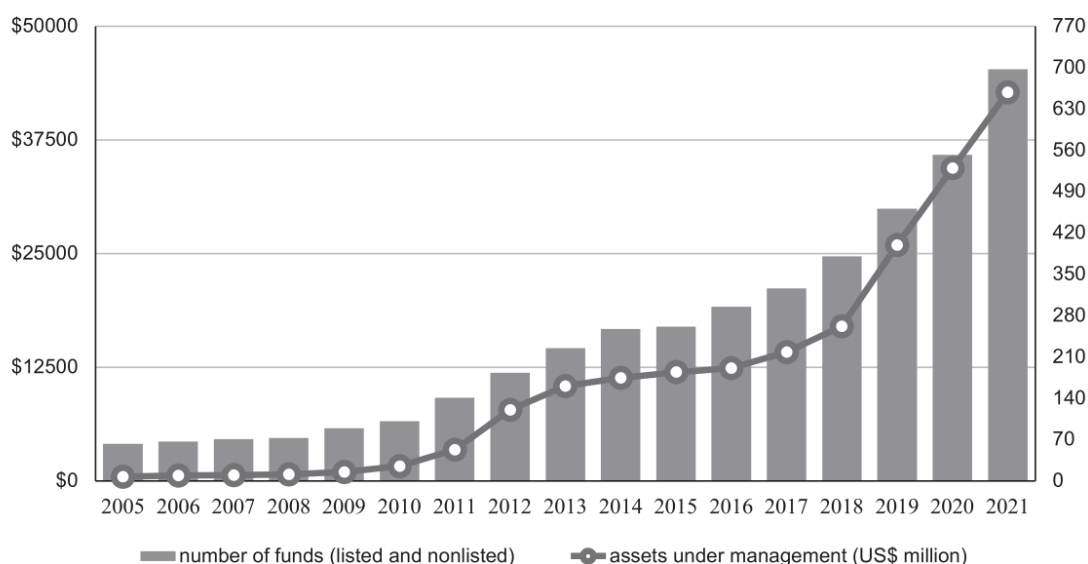


Figure 1. Total share issued and shareholder base in the REITs market (2005–21).

Source: Anbima (2022); Uqbar (2018, 2019, 2020, 2021).

pension funds will be required to either outsource the management of their property portfolios to the financial industry or sell r the assets they hold directly altogether. It is worth underscoring that in none of the other asset classes encompassed by the resolution (including private equity, shares, infrastructure, multistrategy funds, etc.), outsourcing or exit was made mandatory. In addition, the resolution also increased (almost threefold) the ceiling for indirect investment in property (from 8 percent to 20 percent of the overall portfolio).

As we seek to show, however, the recent trend toward the outsourcing of property

investments by pension funds cannot be explained solely by looking at the broader institutional and macroeconomic context that has created incentives toward delegation. Nor is it sufficient to analyze it from the standpoint of pension fund managers and their portfolio management decisions, important though these decisions are. We claim that combinations of changes that occurred both in the institutional environment, as we conceive it here, and in the dynamics internal to the financial industry, are promoting outsourcing inside pension funds' real estate departments. By looking into how asset management firms have actively worked to reshape the relational geometries (Yeung 2005) of pension fund decision-making in property, we raise key issues for understanding the growing command of the financial industry over flows of savings and investments in an emerging market.

“It Is Like Shark with the Smell of Blood, Right?” REITs Channeling Pension Funds Investment in Property

Although pension fund managers have long been wary of outsourcing property investments to REITs (Sanfelici and Magnani, 2022), an assortment of recent regulatory measures and institutional changes has encouraged them to rely more extensively on the financial industry. We claim, though, that beyond the incentives and opportunities for pension funds to decide on whether to manage resources internally or to outsource them to financial service providers, a focus on asset managers and their purposeful efforts to channel pension fund money to their services may provide a different perspective on how the financial industry has gradually gained ground in the intermediation of institutional money. Focusing on the intermediation of real estate investment vehicles, we discuss in the following how Brazilian REITs, facing several constraints on their business model, have played an active role in shaping the conditions for their own growth by attracting pension fund capital.

Before moving on to analyze the efforts made by financial actors in luring pension fund money, it is worth remarking how REITs have increasingly felt the need to diversify their funding sources by tapping into a more professional type of investor.

Over the last ten years, Brazilian REITs (see Table 2 for the largest managers of REITs) have experienced a steep growth in assets under management thanks to the entry of a large number of individual investors who have benefited from favorable tax regimes (Sanfelici and Halbert 2019). Thanks to this and the willingness of individual investors to diversify their investments in a low interest rate scenario (Martins 2019; Masseti 2019; Tauhata 2019a), Brazilian REITs have experienced a sharp growth in the amount of shares issued and in their shareholderbase in the recent years (see Figure 1).

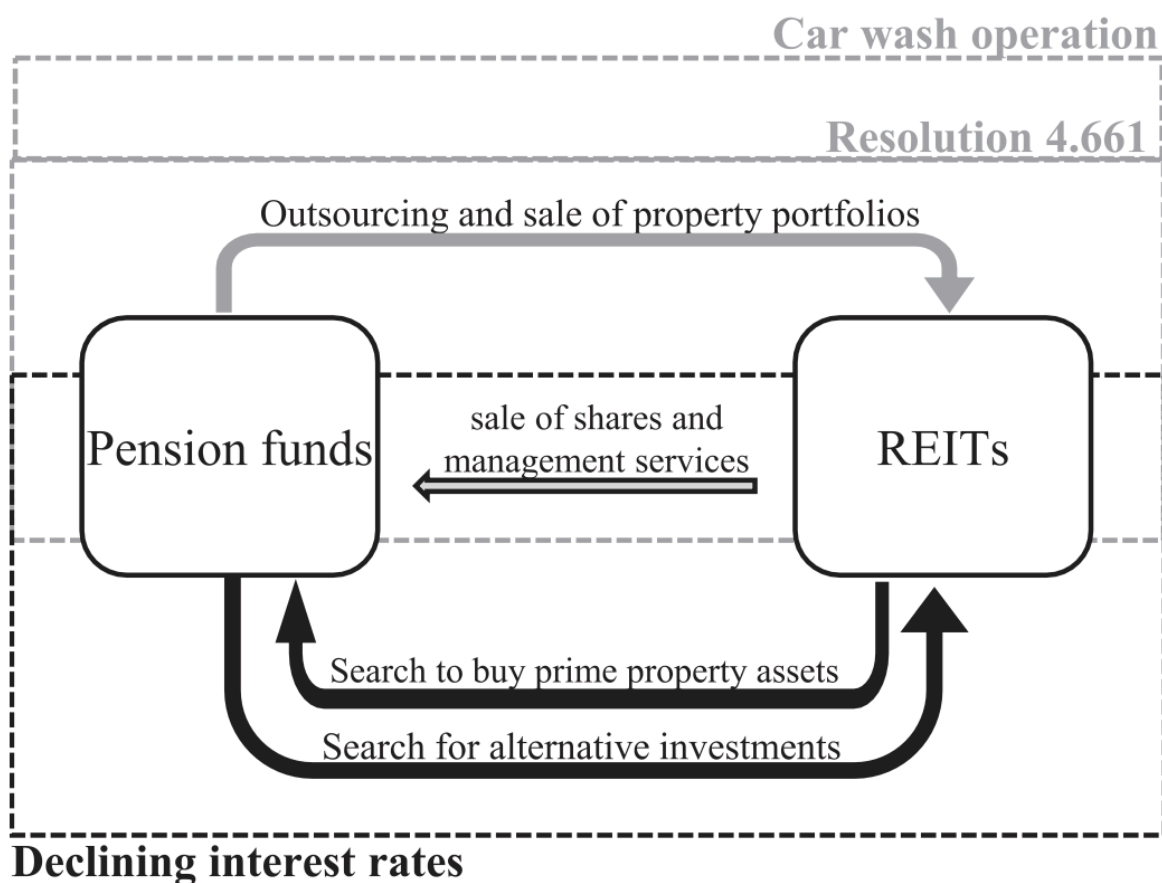


Figure 2. Relationship between pension funds and REITs.
Source: Authors own.

Although the growth of REITs seems well anchored, we argue that the industry has recently begun to recognize bottlenecks in its funding model. Asset managers have expressed concern over the reliance on small, individual investors as major shareholders in REITs. Among other things, asset managers cite the lack of professionalism and the fickleness of such investors, since they withdraw or pour money into these vehicles in the wake of minor changes in expectations. In this context,

pension funds are perceived by the financial industry as professional, stable long-term investors that have the capacity to put pressure on the REIT industry to supply better products and generate better results.

However, far from just passively benefiting from a window of opportunity for the outsourcing of pension fund investments, REITs have actively laid the groundwork for attracting and channeling pension fund money into the property investment vehicles they set up and manage (see Figure 2 for a schematic depiction of the recent relationship between pension funds and REITs). In the following sections, we show that asset managers have worked on three fronts to attract pension fund money: (1) by setting the agenda of policy regulation, (2) by actively working on building relational networks with pension fund trustees and managers, and (3) by adapting internal governance procedures and tailoring investment routines and investment products in order to better serve pension funds.

Agenda Setting and Policy Intervention

The first dimension refers to the financial industry's involvement in setting the agenda of pension fund regulation through Resolution 4.661. We observed that REITs made use of an institutional opening (Section 3) to steer the agenda of Resolution 4.661 even further toward their own interests.

It is worth highlighting that, in comparison to other national contexts in the Global North (McCarthy, Sorsa, and van der Zwan 2016; Urban 2019), pension funds in Brazil have their management decisions more strongly restricted by autonomous regulatory bodies. While trustees and managers may devise an investment strategy to be followed by their organization so as to achieve a target rate of return, regulatory constraints set strict limits on investment in riskier asset classes. Thanks to such restrictions, the financial industry has found little room to attract pension fund money to newly conceived investment vehicles. It is in this context that the financial industry's recent involvement in the discussions of the regulation of pension funds represented by Resolution 4.661 should be

understood.

In the case of Resolution 4.661, we were able to confirm, through interviews with the few stakeholders involved, that financial industry associations were consulted in order to improve representation from more *direct and qualified* agents before the draft was forwarded to the NMB, the agency responsible for issuing the regulation. The consultation was formal—though not really transparent concerning its purpose and results—and extended to several financial market associations, including a representative of pension funds (ABRAPP); autonomous government bodies such as the Central Bank and *Comissão de Valores Mobiliários* (an independent agency tasked with overseeing capital markets); and Anbima (Brazilian Association of Financial and Capital Market Entities), which represents financial institutions such as banks, asset managers, brokers, dealers, and asset administration firms. As one regulator closely involved in the agenda setting stated, a close consultation channel had been created and the participation of private market agents was ensured.

The role of Anbima as a representative of financial interests in the Resolution 4.661 discussion was noteworthy. A stakeholder involved commented that the association's dialogue with the Ministry of the Economy and Previc (the pension industry regulatory agency) was always "very healthy" but emphasized that it was only over the last few years, due to a political window of opportunity, that the representatives of the capital market found more room in the discussions of pension regulatory agenda. This institutional opportunity was quickly exploited by Anbima, which, according to one interviewee, established a close and trusting relationship with regulatory bodies and bureaucrats. Moreover, their interactions were not limited to the Resolution 4.661 consultation process, but rather occurred on a more regular basis. In the words of one stakeholder interviewed,

We do regular workshops [. . .] with Previc. And we present [investment] products to Previc. Why to Previc? Because ABRAPP, their commercial area, they are already there. They are already discussing with the pension funds. Our point is: let's take it to the regulator. For the regulator to understand the product and release

more and more limits, and release more and more investments. (Interview, Senior Manager, September 1, 2021)

Although direct lobbying of the regulatory bodies by REITs was not confirmed, these actors actively participated in the definition of the agenda that Anbima, as their representative body, pitched to the legislators (see Figure 3). The ability of REIT managers to set the agenda of the association was essential in ensuring that their interests—and not those of other members of Anbima and also possibly interested in regulatory change—were placed center stage by Anbima. Primarily, REIT managers have taken an active and influential position, according to one interviewee, in the meetings arranged by Anbima to discuss the draft of Resolution 4.661 with interested market players. This active participation gave REITs a strategic role in the definition of the text that was eventually forwarded to the NMB.

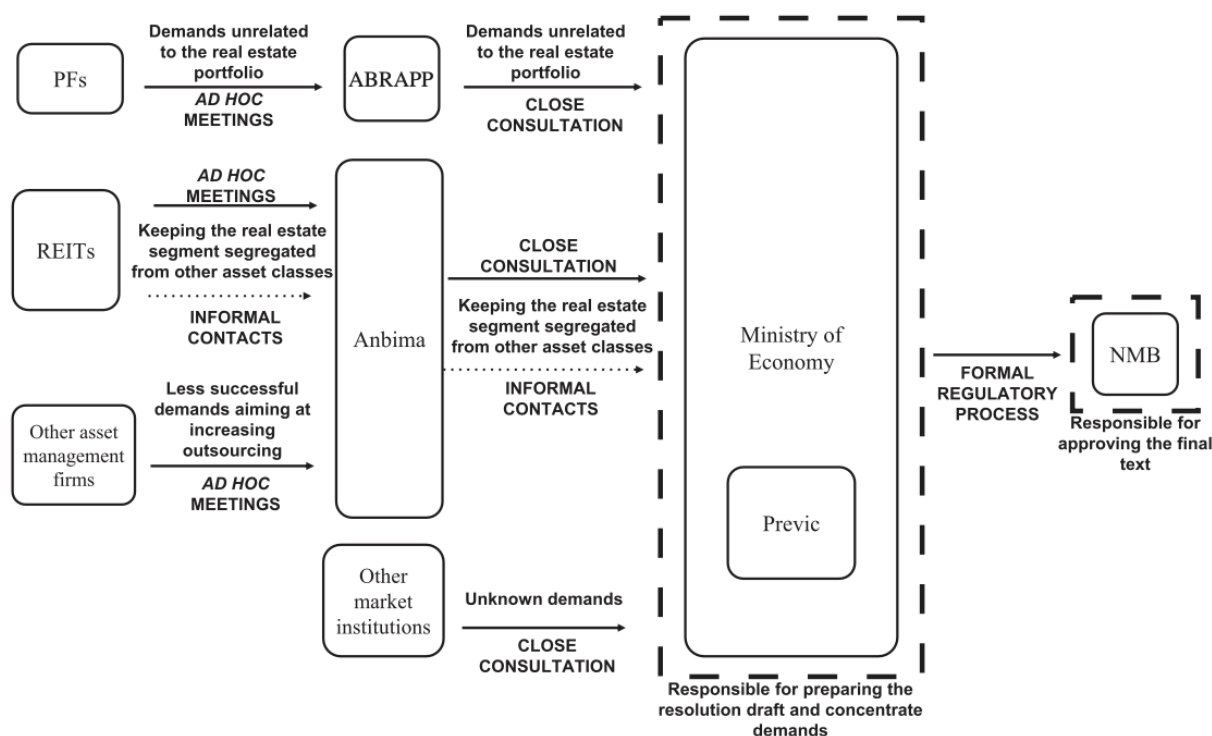


Figure 3. Agenda setting of Regulation 4.661: Actors and their formal and informal demands. Source: Authors own.

As one stakeholder confirmed, REITs made concerted efforts to keep the real estate segment segregated from other asset categories in the draft of the resolution. By

removing REITs from the “structured investment” asset category, which was not allowed to exceed 10 percent of overall pension fund portfolios, and shifting it to the separate category of “property investment,” REIT managers fended off direct competition from other investment options that were included in the structured investment class such as private equity funds and hedge funds. The most effective policy action undertaken by REITs was thus the transfer of property vehicles to the category of property investments, which previously included only direct holdings, and the setting of an investment limit of 20 percent of overall pension fund portfolios for the property category (see Figure 4). According to one stakeholder, this has guaranteed REITs a competitive edge over other capitalmarket players:

We segregated the real estate [investment trusts]. [. . .] But there was a concern [inside the Ministry] that maybe real estate [investment class] would not be so clearly separated [from other investment classes]. [Eventually] we kept the segregation of the real estate [segment]. We asked to keep [it segregated]. [. . .]it was a question of limiting competition. [. . .] [We were] trying to free up more limits for some kinds of assets. And then, the competition would be taken away a little bit, both from the structured [segment] (which has [. . .] the multimarket [segment] [. . .]) and it would be more favorable also for real estate [investment trusts], which maybe competing with these other assets would not have so much appeal. (Interview, Senior Manager, September 1, 2021)

Finally, it is important to underscore that Anbima’s efforts to further REITs interests in the draft forwarded to the NMB was more successful than the efforts made by ABRAPP in the opposite direction. Interviewees directly involved in the process commented that the largest pension funds and ABRAPP itself have continuously contacted Previc after the publication of the resolution in May 2018, emphasizing that they had not been informed of this sudden change and urging the body to amend the regulation with the NMB (Acontece 2019a). Despite such efforts at watering down the content of the regulation regarding real estate (Acontece 2018, 2019b; Revista da Previdência Complementar 2019;

GRIHub 2021), no changes have been made.

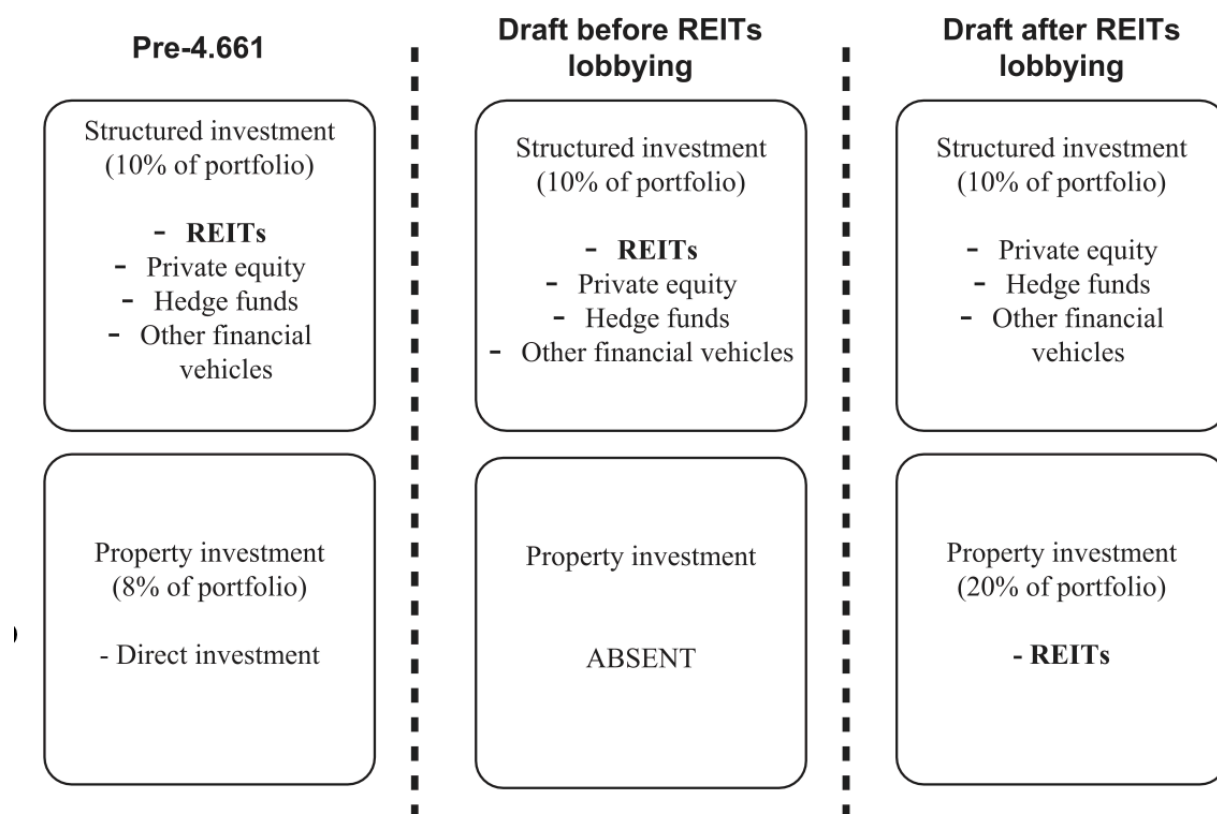


Figure 4. The real estate investment class before and after REITs lobbying.
 Source: Authors own.

While the regulatory change was an important first step toward the outsourcing of pension fund property portfolios, REITs have seen the need to work actively on the implementation of this new regulation as a way of ensuring the beginning of a closer relationship, as we discuss below.

Chasing New Clients through Networking

A second step in REITs' efforts at expanding their client base to include pension funds refers to asset managers' actions to market their services to pension fund representatives. Given that asset managers had dealt predominantly with individual investors as REITs' main clients, and that the relationship between REITs and pension funds had been limited before Resolution 4.661, attracting pension funds has required a more proactive and direct approach, compared to the strategies developed to attract

individual investors (Sanfelici and Halbert 2019).

We were able to identify two main ways through which REITs are trying to build a closer relationship with pension funds: (1) by scheduling recurrent meetings with pension funds managers and (2) by participating in congresses and events promoted by them. The intent of this closer relationship was twofold: on the one hand, REIT managers spotted an opportunity to buy up prime property directly owned by pension funds, which had to comply with the new resolution; on the other hand, REIT managers aimed at attracting these clients to their newly established investment vehicles.

In the first instance, it amounts to an opportunistic, one-off transaction that has been described by a REIT manager as a “scramble for assets” owned by pension funds. According to two REIT managers,

We and the entire real estate industry on this side of the table, on the buyers' side [wanted] to sort it out. "This asset is nice, this [other] asset is nice." How do you talk to the [pension] funds? I talked to the top seven, the seven largest funds. "Look, this asset interests me, this other asset interests me [too]." (Interview, Sales Associate and Partner #1, August 3, 2021)

One asset manager interviewed stressed how many REIT managers were “harassing” pension funds simultaneously:

In fact, the interaction [between pension funds and REITs] is me and all my competitors knocking on the door of all the pension funds. This is what is happening. So, everyone is being harassed by the whole market, saying: “Look, do you want to sell your properties? Do you want to pay for a fund that will be managed by us?” [. . .] Then they [pension funds] say: "oh, that may be so, but there are about twenty of them like you here, with the same proposal.” So, they are analyzing. The conversation is happening a lot between the [REITs] managers and pension funds, and there are many big investors that are knocking directly on the door saying: "Look, you have to

do something these years [years that followed the resolution until 2030].
“Don't you want to sell your property?” [. . .] [it is like] a shark smelling
blood, right? (Interview, Managing Partner, November 4, 2019)

Beyond these occasional bids for buying property from pension funds, however, asset managers in the financial industry have sought to build longer-term relationships with a view to attracting pension funds to their investment vehicles— which may even include properties previously owned by the pension funds themselves. One interviewee noted that REIT managers are reaching out to him:

[T]he fact that we start to put together a [indirect] portfolio internally, all the [REIT] managers come here to talk to us . . . because they are the ones who set up, they are the strategists who set up the fund . . . they come because we are big, institutional and it is a new market that they [REITs] want to get, [which is] different from individual [investors]. (Interview, Executive Manager, January 17, 2019)

Through participant observation, we were able to observe that REIT managers of the largest investment houses in Brazil—such as Kinea, Votorantim, BTG Pactual, Capitânia, RB Capital and others—have attended internal events promoted by pension funds as a strategic venues for forging relationships with them. In contrast to recurrent visits to pension funds, the attendance of such events focused on advertising the benefits of outsourcing property investments to their investment vehicles and stressing how the latter's risk-return profiles matched long-term pension fund goals. Among the actions taken in these events, financial industry managers have given lectures on investment products; distributed promotional materials; and, more importantly, used informal occasions, like lunch and coffee breaks, to get closer to pension fund managers.

During the lectures attended, we observed four main arguments put forward by REITs. First, the speakers usually started their speeches by comparing the yields of REITs with other asset classes such as stocks and bonds. They commonly highlighted how, in the

long run and with a relatively small portfolio turnover, investments in their vehicles were more promising to institutional investors, thanks to their match to the liabilities held by such institutions. Second, we observed that most speakers also highlighted how foreign (especially US) pension funds strongly embrace REIT investments in their strategies. That somehow justified the need to invest in REITs by following in the footsteps of more *mature* market players. Third, the speakers stressed how indirect property investment ensured a higher rate of return on investments as well as the desired liquidity for real estate investments. To illustrate the good governance of REITs, several managers displayed their annual results and the benchmarks they had beaten. Lastly, most of the talks were ended by a remark on how the real estate market is heating up in Brazil, with great opportunities in the coming years.

These attempts at getting closer to pension funds were overall successful, since more pension funds ventured into these investment vehicles over the last two years (GRIHub 2019, 2021; Schincariol 2019a, 2019b, 2021; Tauhata 2019b; Investidor Institucional 2021c). However, as we will see in the next section, asset managers also had to adapt governance procedures to deal with a client that is fundamentally different from individual investors.

Adapting Internal Governance Procedures

A third dimension in the financial industry's search for new clients for their property investment vehicles has involved an array of changes in internal governance routines and procedures with a view to tailoring their services to institutional investors. Contrary to what the literature points out for the expected relationship involving the provision of services by the financial industry (Clark and Monk 2014), in their efforts to attract pension funds, REITs in Brazil have proved to be highly flexible at adapting their routines, products, and accountability in order to lure pension funds. These adaptations included (1) the setting up of internal routines and the assignment of employees for dealing exclusively with pension funds; (2) the design of exclusive financial vehicles,

mostly funds of funds (FOFs), more adapted to the needs of pension funds; and (3) the adoption of more extensive disclosure of results so that pension fund managers could oversee investment decisions.

Regarding the need to adjust internal routines and structures to better serve their new clients, asset managers in the REIT industry are increasingly creating dedicated departments within their firms to serve pension funds (Investidor Institucional 2022a, 2022b). One person interviewed for this research commented that his company has three professionals serving pension funds (the company nowadays has a small body of around twenty employees). He justified this procedure by pointing to the large amount of money invested by pension funds (which makes up a large share of the capital managed by the firm) and to the difficulties in attracting and retaining this type of investor.

The design of special routines to meet the needs of the asset owner appeared to be crucial at the time of creating the portfolio and signing the management contract. Commenting on the search for new pension fund clients, one REIT manager interviewed explained how it was crucial for his firm to design customized and multistep routines and procedures in order to tailor his services to the procedures and views of his potential pension funds investors:

We have already had several visits from pension funds, the largest ones. They come, ask us to send them the Anbima's questionnaire, which is a diligence questionnaire that tells them a lot about the management firm, then they send us specific questionnaires about specific funds that they are studying, and then you answer a lot of things. The third stage is a meeting, and then he [sic] wants to know how the process is, he [sic] wants to know the team, what the company's strategy is, everything [. . .] there is this model, so they are studying the funds to be able to invest, [. . .] there are some that are already in the process of mandating fund managers like us to select funds, so it is a Fund of Funds mandate. It is creating an exclusive fund. (Interview, Head of Real Estate, November 18, 2019)

The creation of customized, exclusive investment vehicles is a request from large

institutional investors, which claim that such vehicles are more appropriate because they (1) better fit into their own investment policies and time horizons, (2) are not subject to changes in policy caused by the entrance of new investors who do not share the same long-term investment strategy, and (3) should be capable of receiving a large injection of money. As shown in the interviews, this demand from pension funds causes intense discussion among the parties involved and requires REITs to adapt to this specific type of client. When asked how the client participates in the design of the investment vehicle, one REIT manager made clear how intense the discussion between the parties can be in order to reach an agreement:

We make a suggestion, and we talk to the investor [pension fund] about the parameters they should think about, [like] concentration, [. . .] liquidity, [. . .] the minimum size of the fund, if there is a sector that he [sic] doesn't want to invest in for some reason. There are some [segments] that we don't invest in, so we say "we are not going to invest in this one." Our mandate is discretionary, so we are the ones who make the decision, I won't consult them, because if I am responsible for the result, for delivering performance, I want to have the mandate. What we establish are the parameters, the minimum that this fund needs to have. [. . .] It's a four-hand process, then he [sic] approves the internal committees, this goes into the contract [. . .], if it's an exclusive fund, and from there on, we execute to deliver. (Interview, Head of Real Estate, November 18, 2019)

Despite disagreements, REITs seem more open to comply with the requests of their clients, something that also highlights their efforts to attract this particular investor. As commented one manager,

"Pension funds always have their investment policy . . . we are more flexible than the pension funds' investment policy [. . .] in a certain way we adapt to the pension funds' investment policy" (Interview, Partner #2, October 31, 2019).

Regarding investment policy orientation within pension funds, most of the

interviewees in the financial industry claim that pension funds are particularly slow at reaching investment decisions because they need to constantly check with the board of trustees before acting. One interviewee claims that the more pension funds become used to investing in REITs and fully understand the product, the easier it will be to capture the management mandate. According to one manager, getting the first investment mandate is the most time consuming and difficult part, because pension funds have very strict internal procedures, and it takes time to establish trust with its service providers. The same interviewee, who had just closed a R\$ 9,7 million contract with one of the biggest pension funds, also points out that getting his first pension fund investor turned out to be a gateway” for other funds to start “welcoming” his company. Interviewees also add that once trust is established, the pension fund “comes to stay.”

The efforts made at adapting to the new client do not cease, though, in the portfolio set up phase. After reaching an agreement, a whole range of governance procedures must be adjusted to fit into the expectations of pension funds. Given that real estate managers within pension funds must report, constantly and in detail, the investments included in their portfolios and the financial results to their boards, the allocation of dedicated staff within the company is essential to meet the constant requests for accountability. We also observed that several REITs are investing money and time to improve their risk controls and compliance routines to keep them in line with the complex regulations of pension funds (Investidor Institucional 2022b).

The financial geography literature often underscores the need of asset owners like pension funds to undergo internal changes—for instance, by creating special units to oversee asset managers—in order to outsource investments. Here, we show that, on the side of service providers, changes in routines and products are also indispensable for forging a long-term relationship with institutional investors. These efforts are even greater in a less developed economy, such as Brazil, where the financial industry is less mature and has little expertise in dealing with this type of client.

Discussion and Conclusion

The literature in financial geography has made considerable progress in understanding the incentives for the outsourcing of investment tasks and functions among pension funds. Yet, such studies often provide a generic description of the outsourcing process, since the latter is widely regarded as resulting from a cost-benefit analysis made by pension fund managers across all asset classes, assuming that a mature financial industry is in place to offer a range of products to these managers. Moreover, third-party asset managers are described as unwilling to adapt their investment products to the particularities of pension funds. At the same time, while the literature in urban political economy addresses some of the specificities of property investment vehicles as investors, its focus is less on how money is amassed by financial intermediaries than on how it is effectively managed.

Our fieldwork in Brazil has shown how the decision-making context of pension funds is shaped by a network of constantly evolving relationships among an array of economic and political actors. Focusing on the property asset class, we have brought to light the power of financial market actors (and particularly asset managers) to reshuffle these networks of relationships—or what Yeung (2005) calls relational geometries—to their benefit, first and foremost by exerting influence over the regulatory environment of pension funds but also by slowly building relationships of trust with pension fund managers to attract their money and by internally reorganizing to deal with this type of client on an everyday basis. In relational terms, therefore, our study has shown how power is exerted through the reconfiguration of relations and how such shifting relationality changes sociospatial outcomes.

The article has some important empirical, policy and theoretical implications. First, focusing on the context of a Global South economy, we show how the financial industry, and more specifically its property management segment, is in the process of development by building up a relational network with a range of economic and political actors. This has allowed us to see pension fund decision-making on outsourcing property investment under a different light: instead of a choice among a range of investment products with clear price and risk-return information, and supplied by a long-established

financial industry, we claim that pension fund decision-making in Brazil is strongly enmeshed in an emerging and rapidly evolving network of relationships increasingly centered on financial intermediaries. This is not only economically relevant, as more and more capital is channeled through such intermediaries and managed according to their narrow criteria of risk/return, but also territorially relevant as well, insofar as asset managers are today predominantly concentrated in São Paulo (Contel and Wójcik 2019), while pension funds are more territorially dispersed. Furthermore, our study yields key insights for understanding similar evolutions in other developing economies, where the growth in capital markets is a relatively recent phenomenon, and the market for financial intermediation services is largely influx.

Second, by showing how the REIT industry quickly realized the fragility in its growth model and devised new strategies to attract institutional capital, we demonstrate that the financial industry—as institutional asset manager—cannot be understood as a homogenous entity, but rather that, among a variety of financial players, some are more capable of attracting institutional capital than others. By tracing a relational network and how its emergence ends up reconfiguring relational geometries, the article generates valuable insight into the outsourcing of investments by institutional players. Furthermore, this provides a different perspective on how and in what ways the financial industry (and specific segments of it) has gradually gained the upper hand in the intermediation of institutional money and why some segment classes are favored, by concentrating larger sums of money, to the expense of others within a range of investment possibilities. Indeed, while acknowledging that investment in a particular asset class depends on several variables, we believe that a relational approach adds to the explanation of why some segments have historically concentrated more investment than others in different contexts.

Third, from a policy perspective, our results have shown that although direct investment in property is less costly, delivers better results to end beneficiaries, and could potentially be directed to long-term sustainable development goals (Bachher, Dixon, and Monk 2016), pension funds' decisions over how to manage their resources is increasingly dependent on a small coterie of financial intermediaries that supply

investment products and services to them. This configuration reflects a policy environment context that emerged in the mid-2010s, which has strongly favored the capital market as a privileged channel to finance economic activity and which has given rise to pro-market regulations on pension funds (McCarthy, Sorsa, and van der Zwan 2006). This must not necessarily mean however that pension funds can no longer perform a role as *patient capital* providers. It all depends on devising targeted policy incentives either to the creation of property investment vehicles that prioritize longer-term investments with broader social impact or else to reestablish the autonomy of pension funds to manage their own resources internally. This issue is even more critical when we realize that the decision to outsource goes beyond a straightforward cost-benefit analysis, as suggested by mainstream economics, but is likewise susceptible to the influence of social connections and political imperatives.

Lastly, we contend that broader theoretical lessons can be drawn from this study, since it shows outsourcing as a relationally constructed process that has far-reaching social and geographic implications. By placing center stage the evolving, power-laden (market) relationships connecting key actors in finance—including asset owners, asset managers, regulators, etc.— we were able to show *how the pooling of money by financial institutions is politically and socially constructed and how it may affect the topology of money flows*. This is shown both by the rechanneling of money under management to a few asset managers located in São Paulo, and by the power these investment firms gain over the decisions regarding where and into what assets capital will be invested. This closer look into how finance flows through space and how money is being pooled by financial institutions helps demystify the idea that economic activities and money itself, in some way, flow in a vacuum (Gong and Hassink 2019), detached from power relations and negotiations. In sum, our article provides an insightful view into the social and spatial *dynamics of finance* because it shows *how such dynamics are relationally created*. Finally, and in line with a recent literature on coevolution (Gong and Hassink 2019), we were able to shed light on how economic activities, market behaviors, and institutional changes are fundamentally intertwined and constantly evolving in time and across scales.

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Assetizing Brazilian logistics: power, spaces and scales under asset manager capitalism.

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Abstract

Over the past two decades, asset management firms have positioned themselves as strategic gatekeepers in the management and deployment of surplus capital across the world. However, the scholarship on asset manager capitalism has left partially unaddressed the issue of how asset managers acquire, retain, and use their power, as well as the broader geographical repercussions of their agency. This article contributes to the research agenda on the interplay between finance and space by probing the question of why and how financial capital is channeled to specific places and sectors. To do so, it investigates the roles and power of asset managers in Brazil, and how they connect capital markets and an emerging asset class, namely logistics. We show that asset managers have responded to the Covid-19 crisis by asserting control over three dimensions that have enabled logistics buildings to be assetized: the representations that shape investment decisions; the material transformations that give form to new logistics structures; and the generation and diffusion of information that allow investment options to become comparable. By building bridges across spaces along these dimensions, asset managers have expanded their power as central actors within the financial infrastructures that channel capital markets' money into places.

Keywords: asset manager capitalism, financialization, power, logistics, Brazil

Introduction

The Covid-19 pandemic was not a lost cause for all investors in Brazil. Similar to other countries, threats to shopping malls and office frequentation contrasted with new opportunities brought by the growth of the logistics sector. Or at least this is the much-told story that concerned real estate asset managers peddled to their equally worried investor-clients. At stake with the switching of financial capital from one asset class to the next spatial fix was the very business model of the asset management sector: were retail and institutional investors to pull away from commercial real estate, gone would be their management fees. The Covid crisis thus acted as a magnifying glass to reflect on the role of the asset management sector in contemporary assetization of buildings and cities.

This paper contributes to the research agenda on the interplay between finance and space by probing the question of why and how financial capital is channeled to specific places and sectors. To do so, it investigates the roles and power of asset managers in connecting capital markets and a new asset class, namely the logistics sector. This is done via the study of a paradigmatic case whereby warehouses in the outskirts of Brazilian urban areas have increasingly been turned into financial assets by asset managers.

In spite of the substantial body of literature focusing on the financialization of urban production - including that of storage facilities (Raimbault, 2022) - there is still a need to take stock of the fact that retail and institutional investors have increasingly entrusted the management of their capital to specialized financial firms known as asset management companies. It is the political economy concept of “asset manager capitalism” (Braun 2021) and its application to the material structures of daily lives (homes, infrastructures) in the form of “asset manager society” (Christophers 2023) that lays the foundations to theorize their role.

Through empirical research, our paper contributes three theoretical insights that help refine the concept of asset manager capitalism. Firstly, it emphasizes its spatial and geographical dimensions and its implications. The circulation of investment vehicles and capital across multiple scales is actively shaped and facilitated by asset managers themselves. Secondly, by delving into the everyday practices of asset management professionals, the paper highlights their active role in continually transforming things - here land and buildings - into assets. Such a process of assetization extends beyond already well-known calculative practices (Birch and Muniesa 2020). It involves multiple

activities that consist in juggling with the spatiality, materiality and various scales of property investments (see also Birch and Ward 2022). This in turn allows asset managers to claim fees as the “just” compensation for their services, while concealing the extractive nature of land rent. Lastly, the research interrogates the issue of power and how it is underpinned by assetization (Nitzan and Bichler 2019). Given their active role, asset managers occupy a nodal position in connecting capital markets with property markets. This position grants them the capacity to weigh on the varying fortunes of cities and regions by selectively allocating financial capital to selected activities and tenants. Consequently, the research demonstrates how this sector continuously expands and strengthens the grip of finance over spaces and the economy at large, leading to uneven geographies of development.

The first section sets the concept of “asset manager capitalism” against the background of the literature on the financialization of urban production. It suggests to expand the theory by considering the spatiality of asset management and its geographical outcomes, while articulating it with the two concepts of “financial infrastructure” and “assetization”. The second section analyses how logistics-REITs (L-REITS) constitute a paradigmatic case in this research agenda, and the material and methods used to analyze their growth during the pandemic crisis in Brazil. Section 3, 4 and 5 develops three dimensions of asset managers role in transforming logistic facilities into assets. In light of these dimensions, section 6 discusses the ability of asset managers to navigate spaces and scales. The last section concludes by looking at the role and power held by asset managers.

1. Spatializing asset manager capitalism

Spurred by the 2007-08 financial crisis, economic geography and urban studies have critically explored the relationship between finance and space. A sub-segment of this scholarship focuses on the interplay between financial market investors and the production of urban spaces. Figure 1a offers an interpretative framework which interconnects finance, space, state, and the economy. It illustrates how various capital resources are circulated by financial investors, including pension funds, insurance companies, investment funds, and property trusts. These investors utilize land, buildings, and other so-called “real assets” for capital extraction. As property markets come under their influence, their actions shape the built environment and access to spaces. The state plays a crucial role here. National and supra-national governments use

their regulatory and fiscal powers to support capital circulation (Aalbers 2020), while city governments contribute by creating investment instruments (like tax increment financing in the US) or participating in financialized growth coalitions (Weber 2015). There remains to go beyond abstract categories of “financial investors” and “financialization” that blurs our understanding of current evolutions. Not only does it prevent to capture the rationalities and specificities of different financial investor types (Author2 and Authour1 2023), but it also fails to grasp the increasing centralization of capital by asset management companies in the last two decades.

If a substantial literature in institutional economics has already examined the outsourcing of money management by institutional investors (for ex. Clark 2000, chap. 4), the concept of “asset manager capitalism” (Braun 2021) offers a critical political-economy framework to interpret this shift in corporate governance starting in the 1980s and 1990s (Figure 1b). The delegation of everyday investments decisions by institutional investors to specialized service companies transforms the actors, hierarchies and logics of capital markets. As depicted in Figure 1b, asset management firms are now central in pooling, managing, and allocating capital brought by various financial channels. A small group of predominantly Anglo-American firms concentrate a large amount of capital which they manage via passive, increasingly digitalized, strategies (see Haberly *et al.* 2019). The sheer size of their assets under management and the diversification strategies pursued by their investor-clients means that such firms aim to exert influence over entire sectors and shape political decisions that impact economic prospects. Their focus is thus on ruling rather than engaging in hands-on, active management of the companies where they invest their clients' capital.

With the concept of “asset manager society”, Christophers (2023) offers a more nuanced picture. He argues that when investing in “the homes we live in and the infrastructures we depend upon to go about our daily lives” (ibid. p. 14), asset managers adopt highly active management practices. As such, we contend, one needs to consider the concept of asset manager capitalism beyond the interdependencies between finance, state, and the economy, as in B. Braun, and to include the fourth dimension of *space* to examine how asset managers actively engage with the material, place-based structures of everyday life they define as “real assets”.

This requires considering both the spatiality of asset management, and its geographical outcomes. On the first aspect, asset manager capitalism theory remains confined to the core of Global North financialized capitalism, and particularly the US. The impressive study of Gibadullina (2023) on the uneven geographies of asset manager

capitalism maps the planetary flows of capital, and reveals ongoing dynamics in more peripheral countries and regions, like Brazil in our case, that are not under the control of the “big three”. It incites scholarship to observe how global capital asymmetries and money market hierarchies play out, how this reflects in the fluctuations of cross-border capital circulation and the more or less important role of domestic capital. On the second aspect, which relates to geographical outcomes, further exploration is needed to understand how asset management companies contribute to the transformation of spaces and expand the grip of finance over (built) environments and societies.

<<insert Figure 1 about here>>

Two recent conceptual developments contribute to this research agenda. As illustrated in Figure 1c, asset managers operate within a “financial infrastructure” that works as a large-scale sociotechnical system that collects, consolidates, and allocates capital, akin to water or energy infrastructures (Author4 2024). Such financial infrastructure holds together various actors, from capital owners in financial markets to the usual suspects in the production and maintenance of the built environments (property developers, urban governments, etc.). Yet, echoing recent works (Author and Author4 2023), we consider the hypothesis that asset managers play a pivotal role within the financial infrastructure of capital markets. They connect financial and urban sectors, as well as multiple scales - from global capital circulation to local property markets and buildings. Consistent with asset manager capitalism theory, the concentration of assets under management in the hands of a limited number of firms enhances their centrality. More precisely, they exercise control over assets and spaces via the political rights associated with the financial titles they oversee on behalf of their investor-clients. This aligns with Veblen’s early insight on the power of asset owners (1908), and with recent developments by Nitzan and Bichler (2009) who argue that control over assets is a structuring source of power in contemporary capitalism.

The second concept offers the fine-grained optics necessary to analyze the expansion of capital markets in space-making (Ouma 2015), and, in our perspective, the multifaceted roles of asset management companies. Indeed, *assetization* affords a processual understanding of the continuous transformation and maintenance of things into assets. Among such operations, we find calculations, such as capitalization techniques (see Birch and Muniesa 2020), the production of legitimizing narratives (Golka 2023), the legal protection of the claims on their ownership and revenues (Pistor

2019), and negotiations with asset providers such as landowners, property developers, and local authorities (Author3 and Author4 2022). This optics entails examining the practices, representations, and instruments that give form to asset manager capitalism and to investigate the position of asset managers in the financial infrastructure of capital markets. Driven by their pecuniary interest that leads them to increase the volume of assets under their control, we suggest that asset managers spur the continuous expansion of capital markets and enhance extractive processes over spaces. We explore this hypothesis with the empirical case of L-REITs in Brazil during the Covid-19 pandemic.

2. Brazilian REITs and the pandemic shock: case selection and methods

Over the past three decades, REITs have grown from a relatively niche investment vehicle operating chiefly in the US market to an expanding asset class traded across several interconnected financial markets. Having set up REITs in the 1960s, and reflecting their centrality in the international financial system, the US served as a model to a growing number of countries that, throughout the 1990s and 2000s, put in place regulatory frameworks to enable the creation, as well as to regulate the operation, of these investment vehicles (Aalbers et al. 2023). Real estate investment trusts constitute a case in point to study the multifaceted role of the asset management sector in the production of spaces and local economic development trajectories. Be they listed or non-listed, REITs attract retail investors seeking exposure to professionally managed real estate investment while also concentrating the bulk of institutional investors' capital allocation to real estate¹. Promoted by global and national lobbies², they embody the rise of the real estate asset management sector as they are the main investment vehicles offered by both third-party asset management firms and listed property management companies to investors.

Brazil is no exception in this regard, with the federal law regulating *fundos de investimento imobiliário* (FIIs) being approved in 1993. It is also a “paradigmatic” case (Flyvbjerg 2006, p. 230) to expand asset management capitalism theory beyond Anglo-American centres. If FIIs were key in supporting the foray of asset management firms

¹ 84% of their real estate investments in value is outsourced to the asset management sector. See ANREV, INREV, et NCREIF, « Fund Manager Survey », 2022, <https://www.inrev.org/research/fund-manager-survey>.

² Respectively, U.S. Nareit and its european counterpart EPRA in listed REITs, and three regional associations in non-listed real estate (namely ANREV, INREV and NCREIF).

into so-called real assets, the import and customization of this US-inspired financial instrument was not straightforward. It reflects both the semi-peripheral situation of Brazil within the international financial system, and the active contribution of national institutions and coalitions (see below). Furthermore, FIs (from now on, REITs) should not be considered solely as a gateway for foreign, global North capital; domestic, higher-middle class and institutional investors (like pension funds) constitutes the main body of stakeholders, at least for listed REITs.

Four different phases characterize their consolidation in Brazil³ (see Sanfelici and Halbert 2019; Author1 and Author2 2023). From the 1990s until the early 2000s, REITs did not find its public, reflecting the marginal importance of capital markets in the Brazilian economy. It was thus mostly used by property developers to protect construction projects from tax liability. Very few “genuine” REITs were created, and they were usually made up of a single asset (for instance, the luxury mall Patio Higienópolis, in São Paulo).

In the mid-2000s, financial industry associations lobbied the tax department and the financial regulatory body (Comissão de Valores Mobiliários, CVM) to reframe REIT regulations. This led to the extension of income tax exemptions to retail investor-clients, and to the streamlining of approval procedures. Several decrees issued by CVM after 2005 aimed to reform governance and reduce risk concerns. Yet, REITs remained a niche investment class, though a slight increase in larger, multi-asset REITs could be observed in the late 2000s (see Figure 2). The main reason for this was the macroeconomic environment: managing a country on the periphery of the international financial system, the Brazilian Central Bank has long kept interest rates too high to avoid capital flight. This made REITs unattractive compared to lower-risk, but still high-yield government bonds.

<< Insert Figure 2 about here >>

It was only in the third phase, from 2010 to 2017, that REITs gradually, and then exponentially, gained traction in Brazil. The now more favorable macroeconomic conditions of lower interest rates enabled asset managers to assemble and distribute an increasing number of REITs focused mainly on corporate offices and shopping malls. It was in this phase that they also progressively added new types of assets (for-profit

³ Due to lack of data, it is not possible to trace a similar trajectory for non-listed REITs.

hospitals, private university campuses, hotels, etc.). Finally, the fourth phase (2018 onwards) is characterized by the attraction of institutional capital, mainly from domestic pension funds, as REITs have increasingly felt the need to diversify their funding sources by tapping into a more professional type of investor. At the same time, reflecting the expansion of asset manager capitalism, Brazilian pension funds were increasingly looking for investments products to externalize daily capital management. With a growing number of retail and institutional investors buying shares, several individual vehicles were now large and multi-asset, with a handful exceeding a market capitalization of BRL 1 billion (USD 210 million).

Against this bullish backdrop, the 2020 pandemic outbreak came as a life and death issue to the REIT industry. Announced by state governments in March 2020, the first lockdown measures had the potential of driving down rental revenues from shopping malls and offices, which constituted the bulk of REITs portfolios. With the materialization of this unforeseen and immediate capital devaluation risk, and considering asset managers' fee-based model, the industry was challenged by the perspective of massive capital withdrawal. The asset management sector, however, sought to transform mounting financial and business uncertainties into a new investment class. Having long despised logistics as a second-rate investment option, asset managers began to tout this segment as a promising investment outlet in a context of deep uncertainty.

To study this 180-degree turnaround, we rely on three complementary sources that were collected and treated by two of the authors during the period of 2020 to 2022. As a first step, we monitored how investors, financial and real estate consultants and the specialized domestic press were addressing, on the one hand, the lockdown-induced crisis in the office and shopping mall segments and the resulting slump in REITs share prices; and, on the other hand, the demand and growth of e-commerce, along with the consolidation of a new asset class, known as Logistic-REITS (or L-REITS).

We selected and qualitatively examined over 200 articles from specialized business outlets in Brazil, such as *Valor Econômico* and *Infomoney*. We also studied materials from associations, companies, and consultants targeted at investors in REITs and in the real estate market more broadly, such as Clube FII, Siila Brasil, GRI Club. In addition, we used market reports and snapshots provided by international property consultants like Cushman & Wakefield, Colliers and CBRE.

Another valuable resource to this research was the countless Youtube live streams that were broadcast by the same actors. We watched and analyzed over 30

hours of live streams and webinars put together by asset management firms and consultants. The format and discourses employed in these live streams were highly standardized. In many of them, we could find REIT managers (sometimes side by side with big logistics property developers) being interviewed by intermediaries, such as consultants and the associations that cater to REIT investors. They discussed the expectations for the recovery from the pandemic and how traditional assets like offices and malls would be affected (or not); how the asset management firm was dealing with the shocks posed by the Covid-19 pandemic and what are the strategies to keep the yields “alive”.

Secondly, we conducted over 20 semi-structured interviews with property managers of institutional investors, financial market associations, consultants, big and small developers of national and international firms, domestic listed property companies and, finally, REITs managers. We posed questions related to the market behavior of REITs, their current investments and investor base. Around 13 interviews specifically tackled the pandemic shock and the rise of L-REITs. We questioned them on how the pandemic changed their investment strategies; how they entered the logistics segment and the hurdles they faced; how had the relationship with logistics developers evolved, etc.

Thirdly, we tracked the portfolios of listed L-REITs in 2021 by using the private database of Clube FII, a market organization that monitors the REIT market. In addition to the location of each property asset, we collected data on whether they were newly constructed warehouses (i.e built during the pandemic), their architectural features, who was the developer involved, the prospected tenants, etc. This enabled us to document how asset managers shifted their investment towards logistics and concentrated finance capital into a series of selected locations and tenants.

These three sources offer insights on the multifaceted role of asset managers in turning logistics property into a widely known and invested asset class. All in all, assetization goes much beyond simply setting up investment vehicles and selling their shares to prospective investors. Instead, demonstrating their power to channel capital from financial markets to specific places through financial infrastructures, asset managers worked along and controlled three key dimensions of the assetization of logistics facilities as the following sections will now explain.

3. A ‘lifeboat’ to surf the pandemic

L-REITs show a continuous growth through the four years preceding the pandemic. Its market share jumped from a fraction of the value of office REITs in 2018 to an almost equivalent weight in 2022 (Uqbar 2023). This results from an intense mobilization of real estate asset managers seeking a new capital fix for their concerned investor-clients. They issued numerous notes, reports, and interviews to change the *representation* of investors about Brazilian warehouses. Digitalization enhanced the dissemination of rationales, including via innumerable livestreams and webinars. Their goal was to legitimize logistics property as a worthy asset class in light of the pandemic.

However, logistics proved to be a reluctant asset. The putatively low entry barriers of the segment had the potential to jeopardize land rent extraction. As a consequence, a few years prior to the pandemic, L-REITs were seen by the asset management sector (including property consultants) as a second-class investment option. The segment was criticized for its short development cycle (Livestream 30) which, under fierce competition, would threaten yields and increase risks:

The logistics warehouse has something specific that is not a competitive advantage. You can build a logistics warehouse in one year. [...] you do not have a lack of land supply. So, the ease of replicating the business model is much greater than a shopping mall and an office building. [...] Not to mention that the investment is much lower, with 20, 30 million [reais] you can build a warehouse. So, it is much easier to have several players entering this market (Livestream 33, real estate consultant, January 8th 2018)

Furthermore, tensions in investment temporalities became a hurdle for asset managers now rushing to experiment with logistics properties. Because of the lack of suitable ready-to-lease properties, they had to queue to obtain access to distribution centers abiding by their “investment-grade” expectations (Interview BB⁴, EE, Livestream 10, 15). Greenfield developments however do not offer immediate financial returns due to approval and construction time and delays in finding a tenant. Logistics as an *emerging* investment class does not deliver the regular monthly income that investors usually find in deeper, more mature, segments. Connecting logistics and financial

⁴ See appendices for the list of interviews.

markets was thus a challenge, that asset managers tried to overcome by turning around the stigmata.

This involved reframing the short development cycle hurdle as an advantage. Because the production of suitable properties is quick, asset managers explained to their investor-clients, it would not be long before they can pocket rental revenues, ensuring that yields would quickly improve:

Logistics is a market that, historically [...] has a different profile from other real estate assets. [...there is a] shorter development cycle for a logistics facility than a shopping mall or an office. A mall, between project approval, and development, you are talking about three to five years nowadays given the restrictions for approval, compensation, etc. Office, just over three years you can put up a large office building. Logistics, if you can get land that does not have major environmental problems, that does not have major issues, in one year you can get the project approved and put up a logistics site (Interview MM, September 29th, 2022)

In other words, the negative assessment that had been around for a decade was reversed in the few months following the pandemic by the very same actors that had disqualified logistics until then. If differences in the rate of return matter in the geographies of financialization, this shows that the versatility of capital markets in (re)allocating money depends on the performative role played by asset managers who actively craft interpretations on property market segments to maintain their own activities and fees.

To do that, asset managers and their partners (property consultants, valuers) quickly adopted an “imagined future” (Beckert, 2016) rooted in the idea that property markets had fundamentals, and that such fundamentals were increasingly tilted in favor of the logistics segment. They collectively adhered to the script of a strong, durable demand for logistics services stemming from the boom of e-commerce (Livestreams 13, 15, 16, 27 31, 33, Interviews EE, II, JJ, MM). To evidence the strength of emerging patterns of consumption, now reduced to “a click in the app of your favorite store”, professionals did not hesitate to call in their personal experiences as consumers. They also appealed to retail investors' experiences to illustrate the need for more logistics facilities and the potential to capitalize on emerging businesses (Livestreams 3, 4;

Interviews EE, FF, JJ, MM). In a moment of unforeseen turmoil in financial markets, asset managers strategically used their financial categories and instruments to create a “safe haven for investors” (Livestream 16). Or, as another asset manager puts it:

One of the few certainties that we have been able to draw from these two years of the pandemic is that the logistics sector acted like a lifeboat: it was resilient, it surfed, it grew because of e-commerce, the transformation of the consumer habits, flows and products.” (Livestream 17)

Changing conventions on the potential value of logistics as an asset class was thus crucial in persuading prospective investors to switch capital between “real assets”. However, promises of future income had to be matched by building partnerships with actors that held the keys to logistics buildings.

4. Building durable structures of accumulation

According to T. Mitchell, material bulkiness and the longevity of buildings matter in assetization. “Entrepreneurs” provide the “durable structures that promise decades of revenue [...] and sell shares in that future, realizing income in the present that is going to be a tax on the productive life of future populations” (Abourahme and Jabary-Salamanca, 2016, p. 741). By contributing to creating logistic hubs and warehouses, and by securing sociolegal, tradable property titles over land, asset managers are such entrepreneurs that produce “spatial and temporal technologies” to generate pecuniary returns (ibid., p. 741). This requires them to engage in partnerships with logistics building providers, like property developers, and to engage, more or less directly, with local authorities. In other words, their sudden entry into Brazilian logistics led asset managers to coordinate actors and resources necessary to “building durable structures of accumulation” they seek (ibid., p. 740).

This was not a frictionless process since asset managers did not find properties matching the international standards they claimed to follow. They considered the logistics property stock in Brazil mostly obsolete (Interview EE): many warehouses were built in the 1980s, while the technical and architectural specifications of the few built more recently were suboptimal for rent extraction in their view. They stressed the inability to meet the “requirements of the dynamics of e-commerce” (Clube FII 2022),

such as an “optimization of stock handling and flow” (Livestream 15) and “high-quality infrastructure (security etc.) for tenants” (Livestream 10). The existing stock, they argued, did not fit the “operational profile of a large operator in the sector [of e-commerce]” (Clube FII 2022).

To overcome this “investment-grade” bottleneck, asset managers took upon themselves to support the creation of new buildings, either indirectly by buying them from property development companies, or directly by entering into co-development ventures. As observed in other places like Mexico (David and Halbert 2014), they compensated for their lack of expertise in building new facilities – and in exploring new places – by tying up with specialized developers, including the majors Global Logistics Property (GLP), Prologis or Fulwood. In return, they acted as capital providers for property developers eager to have a go at a fast-expanding sub-market. One asset manager explained:

[Name of the firm] is one of the biggest developers of logistics warehouses in Brazil. For us [REIT], it is much more efficient [to do] the following: “man, what can we add to [the partnership]?” We can bring capital, so let's get capital. We believe that we can be good decision-makers to approving and discussing projects and say “look, it makes sense, there will be a capital return”. [...] So, we made a joint venture where we [REIT managers] raise capital, we define with them [developer] which projects we will develop together, and they develop them. [...] So, we can outsource our expertise instead of having to do it internally, [...] hire teams after teams, which would be much more inefficient. (Interview MM)

As in other Global South countries (Searle 2018), partnerships with property developers resulted in power relationships where asset managers sought to exert control over their partners’ strategies, be it in terms of the type of assets they produce, or in the ways they are remunerated, especially in the case of joint-ventures: “[w]e naturally monitor them [developers], stay close and everything.” (Interview BB). Yet, the competition over logistics properties also meant asset managers had to enroll developers. This was done by integrating part of their logic into the business models and working out the math to achieve overall financial viability and stability for developers.

We created a structure we call forward funding, in which the developer bears the cost of the whole project at a pre-established price and you pay him as if it were the construction cost plus a set margin, which is what he will be selling there, so you go halfway of the road, you will not pay the price of a ready-to-lease asset, but you also cannot pay the price of a [fully] developed asset. (Interview MM)

By joining forces with them, asset managers provide an exit route to new stock of properties for developers. But they also restructure the geography and clientele of local logistics markets, since they actively seek their peers when they consider re-selling properties, thus activating their own professional network and its specific jargon:

He [the developer] commercializes and then we even help in the sale. In fact, we have more expertise than he does in selling ready-made warehouses to other real estate funds and we speak our own M&A language, right? (Interview MM)

Although asset managers themselves were not usually at the forefront of the negotiations concerning access to land, property titles, and tax benefits over new logistics facilities, the “politics of assets” (Author3 and Author4 2022) is never far, if only because they can be entangled by local authorities. One asset manager illustrates some frictions with local authorities:

I’ll give you an example and I tell you this because I must report it to my investors [...]. I own a land plot in Ribeirão Pires, near Mauá. (...) My land plot is entirely in Ribeirão Pires, but my street passes through Mauá. The mayor [of Mauá] asked: “Could you make the entrance in Mauá? So that the address is in Mauá and I can collect ISS [municipal tax on services]. I said: “Man... ok. I’ll talk to the guy [in Ribeirão Pires], this will cost nothing [for us]”. But these things happen in Brazil. Then we went to the mayor of Ribeirão Pires. [We ask] What are the [development] compensations? [...] “We’d like you to give us this GIS software”. [I said] Ok, no problem. “Oh, there’s something else [...]: we’d like you to do part of the renewal of this community [informal settlement]”. [Turning to us:] Do you

have any idea of what entails urban renewal of a community? [It's] building a city, renovating sewage systems, energy, etc.” (Interview EE)

Whether they purchase warehouses built by independent developers or adopt a more hands-on approach to co-develop greenfield fulfillment centers, asset managers take advantage of existing coalitions between developers and local authorities. Even if at a distance, asset management companies engage in the “financialized logistics growth coalitions” already observed elsewhere (see Raimbault 2022 for the Paris region, p. 1495, and David and Halbert 2014 for Mexico). By doing so, they expand the boundaries of their financial infrastructure while holding a key position for the investor-clients seeking to switch from offices and malls to logistics. This has allowed them access to a relatively unexplored sub-market at a time they saw opportune, and to ensure that new facilities were aligned with their international investment-grade standards.

5. Gathering, standardizing, and disseminating information

A third aspect of turning buildings into assets is the production and circulation of data on property markets and assets. This contributes to making them legible, commensurable, and comparable with other asset classes - a key dimension for a financial investor (Carruthers and Stinchcombe, 1999). Here again, Brazilian asset managers and associate service providers have played an active role in turning the warehouses and the attendant flows of trucks and goods into the abstractions of finance.

Before 2020, the logistics sector was said to lack data, thus making it impossible for asset managers to run their calculations and arouse interest from investor-clients.

“We tried to [...] raise capital, thinking that the logistics market would take off. [...] Along the road, we realized that we would not be able to raise a relevant sum. [...] [Because] the market analysts don't cover the L-REIT, so they won't encourage anyone to look at it, so this L-REIT is in a kind of limbo.” (Interview MM)

Asset managers also complained about the lack of standardized instruments provided by well-known real estate consultancies on the segment at that time. One

interviewee made it clear that not having standardized criteria for assessing the quality of a warehouse in Brazil was one of the difficulties they faced in creating a L-REIT before the pandemic:

“You had some market [opportunities in logistics] here and there, but still the quality [of the information available] was always inferior, there was always “ah, this one is a - you used to talk to the real estate consultants, and it was funny - high standard [warehouse] in Rio, this one is a high standard [warehouse] from São Paulo.” Price-setting was different and confusing for the warehouses.”
(Interview MM)

Seeing logistics as an opportunity during the pandemic crisis, asset managers engaged with property consultants to develop relevant data. Regular reports describing trends and new investments in logistics were issued by the major international consultants. Logistics facilities were also increasingly cataloged under a standardized classification that allowed direct comparison between buildings (see, for example, the classification offered by Resource BR, 2020; Colliers, 2023; Núcleo de Real Estate, 2023). Some characteristics of A+ warehouses include sustainability certificate, an efficiency area covering more than 85% of the total leasable area, ceiling height exceeding 12 meters, etc. Now more consistent, this resulted in the continuous provision of quarterly market analyses, snapshots and reports, focusing *inter alia* on property types (investment-grade buildings), favored locations for investments, and potential tenants.

Such data production was useful not only for asset managers to run their calculations culminating in drawing up the risk-return profile of the asset, but also to enroll potential investor-clients. For this purpose, asset managers employed a set of tools and the technical language conforming logistics property to the specific needs of finance – its search for transparency, commensurability, and capitalizable future income. Central in this conversion of raw warehouses into legible figures from the investor’s point of view has been the Net Present Value (NPV) routinely adopted by REITs managers (Chiapello 2017).

Furthermore, asset managers took concrete steps to ensure that potential investors get to know better about a property type that is less immediately tangible to the typical REIT investor – middle- and upper-class individuals living in urban centers that are more familiar with centrally-located shopping malls and offices. For instance,

livestreams explained why certain locations – in the outskirts of cities or in smaller towns – made sense for logistics investment (Livestreams 4, 10, 27).

Such actors resorted to various types of digital technologies that duplicate the real geography of logistics into virtual spaces - see, for instance, Prologis videos on available warehouses (Prologis, 2023) and the livestreams on the YouTube channel of GLP Brasil named "Tour pelo empreendimento" (GLP Brasil, n. d.). They use sensing devices to remotely control lived spaces of logistics from their office screens as part of their fiduciary role and daily property management duties. An element that is then used in marketing campaigns and "daily snapshots" of the market. Technological devices, they explain, allow asset managers to monitor the activities carried out inside the facility and the traffic on adjacent roads and highways. Several asset managers also set up tailored websites allowing prospective investors to take virtual tours of the facilities owned by the REITs - see for example the numerous livestreams on the YouTube channel of SiilaBR "por dentro de um condomínio logístico" (Siila br, n. d.). In this case, the digitalization of property markets is not solely used to support asset selection as observed by Fields (2022). It is dedicated to ensuring the enrollment of financial capital by overcoming distance and creating a sense of familiarity and proximity for investor-clients.

This is not limited to the marketing stage. Detailed information at the level of a REIT and its different buildings (purchases, sales, improvements, etc.) is now provided to investor-clients. The granularity of information, including the quarterly financial results, has improved considerably, beyond the usual requirements made by CVM, the regulatory body.

6. Navigating spaces and scales

Assetization is a multi-faceted process in which asset managers have become central in contemporary financialized capitalism. They produce *narratives* that shape the representations of investors, they engage in the *coordination* of numerous actors and resources to create investable assets, they run *calculations* and spread *information* that contributes to making assets legible for financial markets. In this last section, we discuss how their role in assetization, and the control over assets it entails - a key aspect already pointed out by Nitzan and Bichler (2009) - leads to a form of power exerted over spaces in today's political economy of "asset manager capitalism". And

how this transforms local economies and places, as asset managers extend the grip of finance over space.

Asset managers hold together multiple locations. This includes the logistic hubs and properties in urban peripheries where they invest their clients' money. It encompasses the business and financial districts of São Paulo and Rio de Janeiro where their offices are located and from which they implement their investment strategies. The scattered geography of investor-clients is also part of this cartography. Following the spatial distribution of wealth, it comprises affluent neighborhoods of major Brazilian metropolitan areas. In a more limited way, it also includes investors from other countries.

By holding together these places, asset managers not only connect various spaces, they also allow financial capital to navigate across scales. The capital collected at national and international levels is channeled to local property markets, where it is more or less temporarily fixed into logistics facilities. This is *sine qua non* to continuously extracting rental revenues from specific local settings while also distributing them to scattered domestic and international investors having often a faint idea of where their dividends come from.

These geographies of capital circulation and accumulation have very material imprints. Firstly, by sorting out targeted tenants, they shape economic development trajectories. Architectural and locational choices reflect asset managers' preference for large, international and national retail companies such as Magalu, Mercado Livre, Lojas Americanas and Via Varejo. They also support the development of the material infrastructure necessary to sustain the alleged "turn to e-commerce". In other words, asset managers' investments contribute to filtering economic development trajectories across sectors - favoring or not logistics -, and within sectors -supporting large corporations of the logistics sector and e-commerce activities.

<< insert Figure 3 about here >>

Secondly, they contribute to sorting places. If some asset managers stress that logistics could be created in various regions in the country (Livestreams 4, 10, 27; Interview BB, EE), it nonetheless remains that 80 out of 188 properties belonging to L-REITs are located in the state of São Paulo itself. Moreover, the municipalities of Extrema (pop. 53,000), in the state of Minas Gerais (ideally placed at a stone-throw

from Sao Paulo's agglomeration), and Cajamar (pop. 93,000), in the metropolitan area of São Paulo, now concentrate the bulk of gross leasable area (GLA): the first, with around 420.000 m² and the second with 580.000 m² out of over 7 million m² owned by L-REITs (see Figure 3). The sudden entry of these ordinary cities on asset managers' investment map meant that their population changed with the arrival of dozens of thousands of workers and their families (Brigatti 2022). According to the last census, Extrema doubled its population between 2010 and 2022, while Cajamar grew by half. This expanded the tax base and profoundly altered their environment and functioning. All in all, asset managers weigh on the urban fortunes of some urban peripheries and reshape their local economy entirely.

8. Conclusion

Over the past two decades, asset management firms have positioned themselves as strategic gatekeepers in the management and deployment of surplus capital across the world (Braun 2021). If this process is well theorized for corporate control, the scholarship on asset manager capitalism leaves partially unaddressed the issue of how asset managers acquire, retain, and use their power within the financial infrastructures associated to capital markets. Although Christophers' recent endeavor on "asset manager society" (2023) is laying the groundwork, the same applies for the spatial repercussions of this power. With the aim of filling these gaps, we investigated Brazil's budding logistics property segment and its sharp growth during and after the Covid-19 outbreak. This allows to reflect on how asset managers have grappled with an unexpected shock that threatened both their legitimacy as financial gatekeepers and their management fees. Drawing on the concept of assetization, we have shown that asset managers have responded by asserting control over three key dimensions for turning things (in this case buildings) into assets: 1) that of *representations*, that is, the conventions and conceptions underpinning investment objects and their attractiveness; 2) that of *coordination* of the actors and resources that allows asset managers to incorporate scattered buildings into investment portfolios; and 3) that of *legibility*, that is, the calculations and standardized information that allow different buildings to become commensurate on the basis of risk/return analyses and thus directly comparable with other financial assets. By building bridges across spaces and scales along these three dimensions, asset managers expand their power and position themselves as the central actors within the financial infrastructures that channel capital markets' money

into places. Additionally, we have shown that through their involvement in land rent extraction and the selection of buildings and tenants that go into their portfolios, asset managers contribute to the expansion of finance's grip over spaces and society, i.e. the larger process of financialization.

Asset manager capitalism is a theory that allows us to grasp the current balance of the power relations within financialized capitalism. Its by-product, asset management society, shed a bright light on the direct control of the built environment - and through it, of "our lives" - by the firms that manage an increasing share of the wealth circulating on capital markets. This paper contributes to - and refines - this theoretical endeavor by 1) adding a spatial and scalar understanding of the roll-out of asset manager capitalism; 2) integrating to that theory the concept of assetization and highlighting how asset managers' power derives from the control of this process; 3) decentering its focus on the US and the "big three" to Brazil, a heavyweight of the Global South, which allows to confirm the shift toward asset manager capitalism delineated by Braun, but, at the same time, reveals the significance of national trajectories and domestic capital in its rise. Reciprocally, this contribution is an invitation to open the agenda of *finance and space* to the issue of power within asset management capitalism.

Acknowledgements

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Appendices:

List of interviews

Interview	Date	Type of company	Position
Interview P	October 7th 2020	Real Estate Consultant	Head of Market Research and Business Intelligence
Interview Q	July 9th 2020	Asset management	Partner and Founder
Interview T	November 19th 2020	Asset management	Head of Real Estate
Interview U	December 2nd 2020	Asset management	Investment analyst
Interview V	August 3rd 2021	Asset management	Partner
Interview Y	August 25th 2021	Asset management	Managing partner
Interview W	September 8th 2021	Asset management	Head of New Ventures
Interview BB	December 16th 2021	Asset management	Director of investment
Interview CC	December 20th 2021	Asset management	Comercial head

List of interviews

Interview DD	December 21th 2021	Asset management	Real Estate Portfolio Manager
Interview EE	August 17th 2022	Developer	Senior VP
Interview FF	August 18th 2022	Asset management	Head of investment
Interview HH	August 22nd 2022	Asset management	Head of investment
Interview II	September 6th 2022	Asset management	Equity Analyst
Interview JJ	September 8th 2022	Developer	Senior Executive
Interview MM	September 29th 2022	Asset management	Partner
Interview NN	November 30th 2022	Public enterprise	Head of Investment Attraction
Interview OO	December 14th 2022	Developer	Director

List of livestreams

Livestream	Date	Link
3	September 2nd 2019	https://www.youtube.com/watch?v=N6FMaoAYAMU
4	October 22nd 2019	https://www.clubefii.com.br/artigos/fundos-imobiliarios-logisticos-e-industriais#
10	December 8th 2021	https://www.youtube.com/watch?v=WGhTfJNewzQ
13	August 25th 2021	https://www.youtube.com/watch?app=desktop&v=DhaCsQeAG_I

List of livestreams

15	April 12th 2021	Online livestream FII Summit 2021 (no link available)
16	February 3rd 2020	https://www.youtube.com/watch?v=F1MxvC98I4I
27	February 10th 2023	https://www.suno.com.br/noticias/ecommerce-galpoes-fiis-logistica/amp/
30	September 8th 2022	https://www.youtube.com/watch?time_continue=2&v=ZQEBvUS5irA&source_ve_path=Mjg2NjY&feature=emb_log Q
31	November 30th 2022	https://www.youtube.com/watch?v=Pj8fofooIdw&t=1s
33	January 8th 2018	https://www.youtube.com/watch?v=ZWxUvcddqNk

Figures

Figure 1

Figure 1a. The financialization of urban production

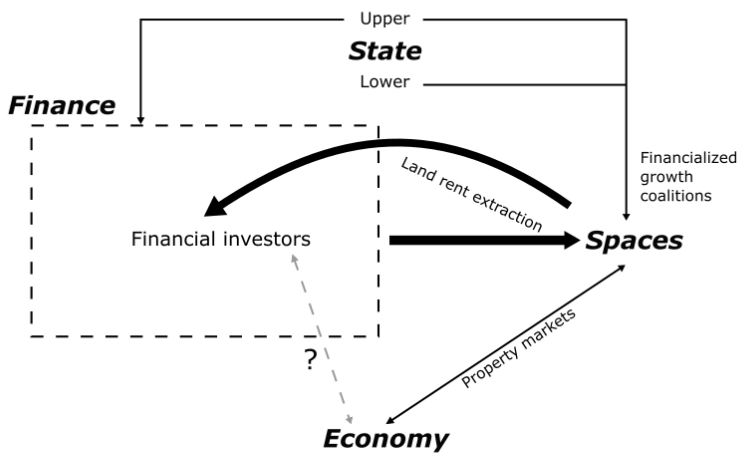


Figure 1b. Asset manager capitalism (Braun 2021)

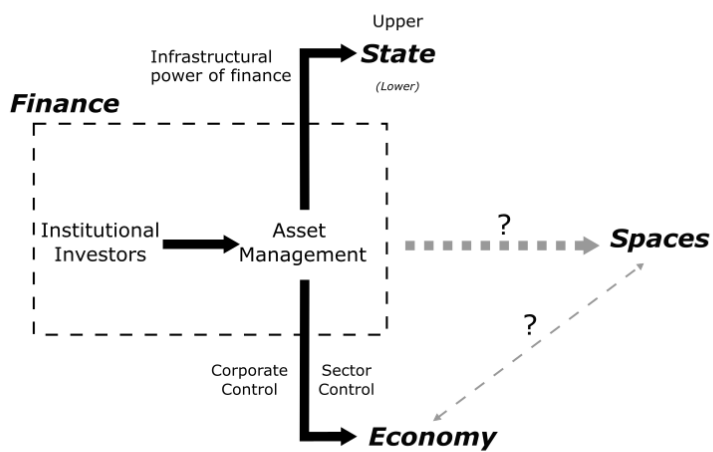
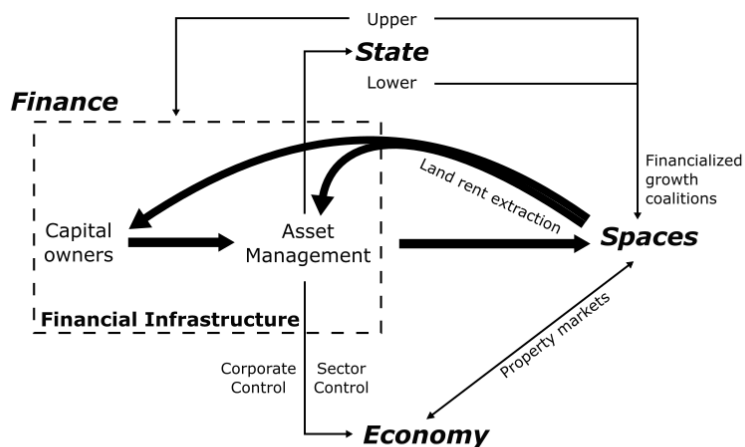


Figure 1c. Asset manager capitalism with 'real assets'



Authors' conception.

Figure 2

Sources: CVM and Uqbar.

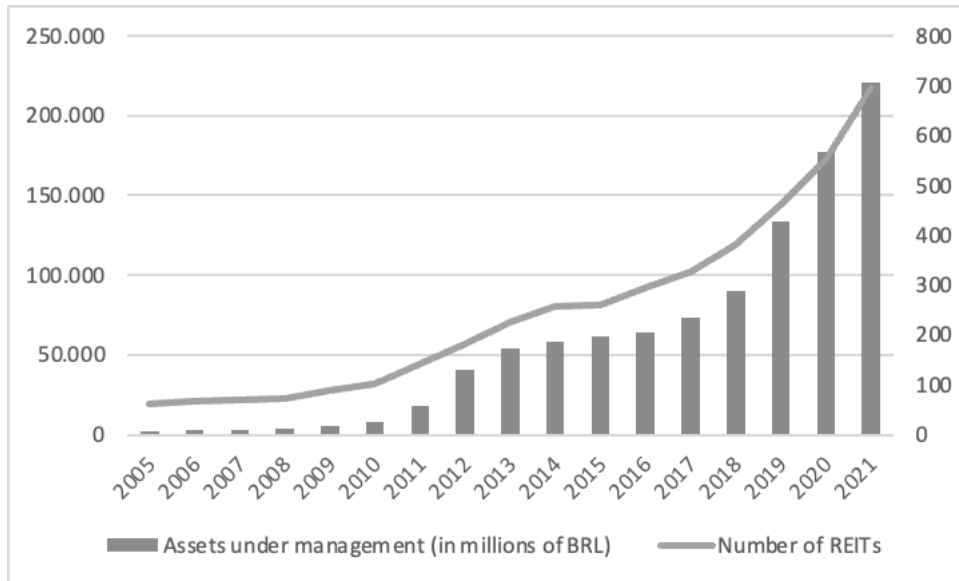


Figure 3

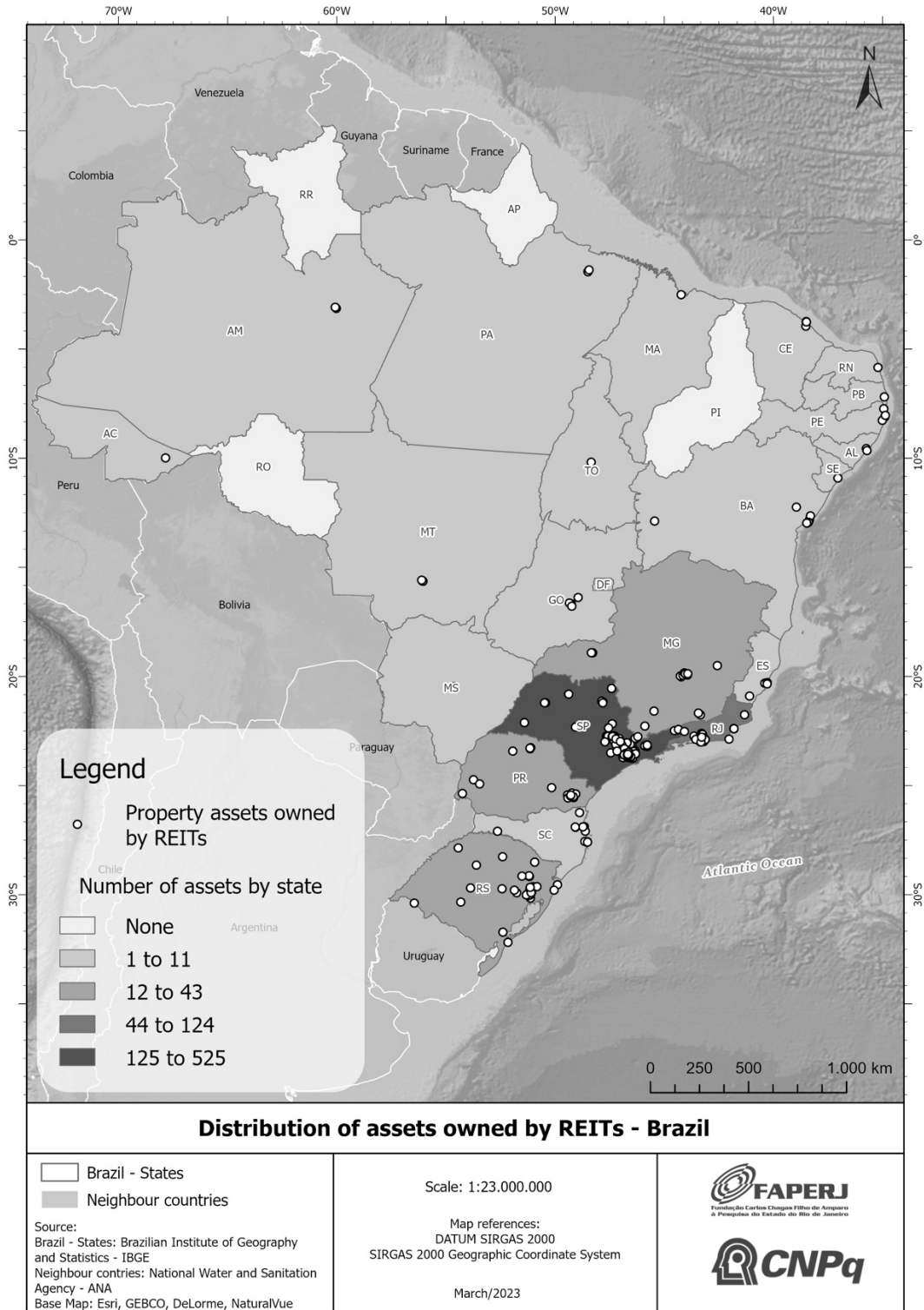


Figure captions (as a list)

Figure 1 - Finance, State, Economy and Space: three conceptualizations

Figure 2 - The growth of REITs in Brazil (2005-2021)

Figure 3 - Property assets owned by REITs in Brazil



Pension fund investment in commercial real estate: a qualitative analysis of decision-making and investment practices in Brazil

Daniel Sanfelici & Maira Magnani

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RESEARCH ARTICLE



Pension fund investment in commercial real estate: a qualitative analysis of decision-making and investment practices in Brazil

Daniel Sanfelici  and Maira Magnani 

ABSTRACT

Existing research has shown that pension funds have been adopting financialized real estate governance models and investment practices more concerned with the short-term risk–return performance of the portfolio. This study of the property portfolios of Brazil’s largest pension funds shows that financialization is a powerful force but does not fully explain pension fund commercial real estate investment and management practices which are strongly predicated upon three guiding principles: (1) an awareness of the constraints posed by pension liabilities; (2) a focus on asset-specific competences to increase returns; and (3) a prioritization of in-house investment management. These practices are, however, challenged by a recent Monetary Board decision to ban direct property investment by pension funds and place their resources at the disposal of the financial industry.

ARTICLE HISTORY

Received 20 April 2020; Accepted 10 June 2021

KEYWORDS

pension funds, real estate market, decision-making, institutional investors, financial markets, financialization

摘要

养老金投资商业地产: 巴西决策和投资实践定性分析。 *Area Development and Policy*. 现有研究表明, 养老金一直采用金融化的房地产治理模式和投资实践, 更关注投资组合的短期风险回报表现。 本文对巴西最大的养老金房地产投资组合进行研究, 研究表明, 尽管金融化是一股强大的力量, 但它并不能说明养老金商业房地产投资和管理实践, 这些实践强烈依赖于三个指导原则: (1) 意识到养老金负债造成的制约; (2) 专注于特定资产的能力以增加回报; (3) 优先考虑内部投资管理。 然而, 货币委员会最近的一项决定对这些实践提出了挑战, 该决定禁止养老金直接投资房地产, 并将其资源交由金融业支配。

关键词

养老金, 房地产市场, 决策, 机构投资者, 金融市场, 金融化

RESUMEN

Las inversiones de los fondos de pensiones en el sector inmobiliario comercial: un análisis cualitativo de la toma de decisiones y las prácticas de inversión en Brasil. *Pension fund investment in commercial real estate: a qualitative analysis of decision-making and investment practices in Brazil. Area Development and Policy.*

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Las investigaciones existentes han demostrado que los fondos de pensiones han adoptado modelos financierizados de gobernanza y prácticas de inversión inmobiliaria, más interesados por el riesgo y la rentabilidad de la cartera a corto plazo. Este estudio sobre la gestión de las mayores carteras inmobiliarias de los fondos de pensiones en Brasil muestra que la financierización es una fuerza poderosa, pero no explica completamente las prácticas comerciales de inversión y gestión inmobiliaria de los fondos de pensiones, que están fuertemente basadas en tres principios orientadores: (1) una conciencia de las limitaciones impuestas por las obligaciones jubilatorias; (2) un enfoque en habilidades específicas a los activos para mejorar los rendimientos; y (3) una priorización de la gestión interna de las inversiones. Sin embargo, estas prácticas están siendo cuestionadas por una reciente decisión del Consejo Monetario que prohíbe la inversión directa en inmuebles por parte de los fondos de pensiones y pone sus recursos a disposición del sector financiero.

PALABRAS CLAVE

fondos de pensiones, mercado inmobiliario, toma de decisiones, inversionistas institucionales, mercados financieros, financierización

АННОТАЦИЯ

Инвестиции пенсионных фондов в коммерческую недвижимость: качественный анализ практики принятия решений и инвестирования в Бразилии. *Area Development and Policy*. Существующие исследования показывают, что пенсионные фонды внедряют финансовые модели управления недвижимостью и инвестиционную практику, больше заботясь о краткосрочных показателях доходности портфеля с учетом риска. Это исследование портфелей недвижимости крупнейших пенсионных фондов Бразилии демонстрирует, что финансиализация является мощной силой, но не объясняет практику инвестирования и управления коммерческой недвижимостью пенсионными фондами, которая в значительной степени основана на трех ключевых принципах: (1) осознание ограничений, связанных с пенсионными обязательствами; (2) сосредоточение внимания на компетенциях, специфичных для конкретных активов, для повышения доходности; и (3) приоритизация внутреннего управления инвестициями. Однако эта практика оспаривается недавним решением Валютного совета о запрете прямых инвестиций пенсионных фондов в недвижимость и предоставлении их ресурсов в распоряжение финансовой индустрии.

КЛЮЧЕВЫЕ СЛОВА

пенсионные фонды, рынок недвижимости, принятие решений, институциональные инвесторы, финансовые рынки, финансиализация

INTRODUCTION

The investment decisions of real estate market agents are largely responsible for how the built environment develops and evolves (Theurillat et al., 2015). In recent years, pension funds (PFs) have come into view as key players in the property sector (Fix, 2007; Theurillat et al., 2010; Van Loon & Aalbers, 2017). The growing importance of these actors in the commercial property market occurs in a context that is deemed positive for the growth and development of PFs as institutional investors¹ and, consequently, as organizations that may affect urban and regional development. However, PFs are commonly treated in the literature as one among several comparable financial actors – such as investment banks, real estate investment trusts (REITs), private equity firms and asset management firms – that have turned to property as an investment alternative for enhancing their portfolio performance. As these actors shifted

capital to property as a new class of financial asset, they have employed financial(ized) techniques and management practices to boost short-term rent streams from the assets owned. It is claimed that their decisions regarding property investment have become more guided by real-time comparative risk–return analysis, while dismissing other, often longer term considerations.

While acknowledging that property investment has changed as financial corporations have gained prominence in this market at the expense of more traditional players, such as local developers and small investors, we claim that a distinction needs to be made between PFs and other financial market investors, such as REITs and private equity firms. Although PFs have indeed become more permeable to financialized techniques and rationalities in their investment practices, we hold that other considerations beyond a short-term financial risk–return analysis explain PFs’ decisions regarding their property portfolios, with theoretical and policy implications that should not be downplayed. This is especially true in the context of the Global South, where property market circumstances (size, transparency, liquidity, funding, etc.) are quite different from those of more mature economies, and where PFs and their investment behaviour have not yet been as extensively analysed as in the Global North.

Considering, then, the importance of probing into the investment practices of PFs in different contexts (Clark, 1998b, 2000; Roberts & Henneberry, 2007), we discuss how Brazilian PFs operate in the commercial property market, exploring their decision-making rationalities, their preferred channels of investment (direct, through the purchase of property assets, and indirect, through the purchase of shares in investment vehicles) and their long-term business strategies. We focus on Brazil for three reasons, beyond the fact that few studies have examined PFs’ investments in Brazilian property markets. First of all, PFs play a significant role in the country’s financial markets and overall economy (Organisation for Economic Co-operation and Development (OECD), 2019; Raddatz, 2014). Second, due to regulatory constraints, these actors’ investments overseas are strictly limited, thus encouraging them to seek domestic alternatives (property included). Finally, recent reforms in Brazil’s welfare system have targeted the pay-as-you-go pension model by establishing a ceiling for retirement payments under this arrangement. A claim can be made, then, that PFs are likely to become even more important in the coming years as they accumulate reserves previously drawn to the public pension system. For this reason, understanding their investment practices in Brazil’s commercial property market provides key insights into how these organizations may affect development more broadly.

The remainder of the paper is structured as follows. The next section describes the economic context of PF growth, discusses how and why PFs have increased their property holdings, and reviews the literature on the impacts of PFs and other institutional investors on the commercial property market. The third section describes our research methodology. The fourth section briefly outlines the context in which Brazilian PFs make decisions regarding property. Finally, the last three sections draw on fieldwork conducted with PFs and the financial industry in Brazil to analyse PFs’ key decision-making criteria in the commercial property market and discuss how such criteria shape their investment practices. The paper concludes by discussing the theoretical and policy implications of our findings.

PENSION FUNDS AND INSTITUTIONAL INVESTORS IN THE COMMERCIAL PROPERTY MARKET: A REVIEW

While acknowledging the relevance of institutional investors in global economic dynamics, research has often prioritized an understanding of markets and of the ‘world of finance’ that associates ‘finance’ with ‘private’ and ‘global’, giving scant attention to ‘largely domestic, also

public, regulated actors with long-term investment horizons' (Datz, 2014, p. 484), such as PFs. In line with changes in social protection systems and, more broadly, in the patterns of state intervention in the economy, assets held by private pension plans (which include plans managed by PFs) exceeded US\$44 trillion in the OECD area at the end of 2018, of which US \$1.7 trillion were in Brazil (OECD, 2019).

Clark (1998a, 2000) refers to post-1980s capitalism as 'pension fund capitalism', a moment when PFs began to play a significant role in transforming the size, structure and functioning of capital markets. Indeed, the growth in assets managed by PFs, as well as these organizations' search for portfolio diversification (in line with Modern Portfolio Theory; Markowitz, 1952), has been one of the key drivers of change in capital markets over the past 30 years, as investment banks scrambled to create and distribute new securities backed by different types of 'raw materials', such as mortgages, loans, infrastructure and property (Dixon, 2014; Leyshon & Thrift, 2007; Van Loon & Aalbers, 2017). This trend towards greater diversification of institutional portfolios has gathered momentum as interest rates declined across the world from 2000 onwards, forcing a change in investment strategies (Bacheer et al., 2016; Bonizzi & Kaltenbrunner, 2019; Siroen, 2011; for Latin America, see Didier & Schmukler, 2014; Raddatz, 2014).

In this regard, Hebb and Sharma (2014) pointed out that property investment is now strategic for PFs, because 'if anything was learnt from the recent financial crisis, it is that new investment opportunities lie not in short-term financial engineering ... but in long-term investment that leads to sustainable growth' (Hebb & Sharma, 2014, p. 487). Property investment is also regarded as strategic in the sense that 'not only are the returns on property no longer considered as being poor, but property is increasingly being associated with the virtues of diversification' (Theurillat et al., 2010, p. 21). Andonov et al. (2013) claimed that property provides three benefits for PF portfolios: risk reduction through diversification; inflation hedging; and steady income cashflows. Bonizzi and Kaltenbrunner (2019) and Monk (2009) likewise underscored the importance of adding property into the portfolios of PFs. After distinguishing between return-seeking and liability-matching investments, Bonizzi and Kaltenbrunner (2019) claimed that property assets – along with infrastructure – are more suitable for enhancing returns than they are for ensuring the match between assets and liabilities (this last goal being achieved through investments in high-rated corporate and government bonds).

This growing appetite of PFs and other institutional investors for property assets raises the question of 'how institutional money is coming to ground, how it is channelled in space and time' (Hebb & Sharma, 2014, p. 489). An expanding body of research has enquired into decisive shifts in decision-making rationalities as institutional investors, financial intermediaries or listed property firms have gained prominence in the commercial property market, usually at the expense of more traditional investors such as individuals, local developers and owner-occupiers. These changes in rationalities have manifold consequences for investment practices, affecting how property portfolios are built up, how assets are managed and the time horizon of investments are determined. More importantly, recent studies have shown that these investment practices and the expectations of financial market actors have major repercussions for urban and regional development.

In their research on institutional investors in UK property markets, Henneberry and Roberts (2008) provide key insights into these investors' decision-making rationality. The authors use a cultural economy approach to analyse the impact of benchmarking techniques in the property investment decisions of institutional investors. They argue that the widespread use of the Investment Property Databank (IPD) index to measure fund manager performance has limited fund managers' independent investment decision-making scope. Instead, they are increasingly bound to follow the benchmark portfolio, since not doing so may have negative professional consequences. This adherence to the benchmark has led to herd behaviour that

privileges a limited type of property assets – mostly ‘core’ assets, such as prime offices – and a limited range of locations – chiefly London and, to a lesser extent, other large cities. This is all the more surprising considering that yields in London’s property market are consistently lower than in other regions, thus contradicting rational behaviour models (see also Roberts & Henneberry, 2007, for a comparative study on three European countries).

These findings were complemented by other studies that followed. Byrne et al.’s (2013) analysis of the UK office market’s turn to benchmarks to explain why investors generally avoid regional markets which are not part of the index portfolio, thus favouring the largest cities. Henneberry and Mouzakis (2014) relied on behavioural economics to explain the bias of institutional investors towards London in their property investments. The authors claimed that investors’ decision-making is affected by a ‘familiarity heuristic’, that is, a tendency to overestimate the benefits of investing in markets that fund managers are already familiar with due to cultural, social or institutional reasons. Since most large institutional investors are concentrated in London and a few other large cities, this investment bias leads to an under-supply of capital to regions where investments are deemed too risky. This pronounced selectivity is also documented by Sanfelici and Halbert (2019) in the investments of REITs in Brazil. The authors claimed that the design of the REIT policy in Brazil has given free rein to fund managers to select buildings and locations according to narrow financial logics of cost minimization and risk reduction. The result is a selectivity across three dimensions: location (mostly São Paulo and Rio de Janeiro, the largest cities), types of assets (mostly prime offices and shopping centres), and tenants (mostly large, blue-chip firms).

Lizieri (2009) and Lizieri and Pain (2014) largely confirmed this concentration in office markets across developed economies, but they added that this concentration may lead to systemic risk, since financial investors are at the same time the main investors, the major occupants, and the main providers of funding (bank loans) for construction. This means that any financial market downturn that curbs the demand for office space by financial market firms may also jeopardize the latter’s financial results as owners of investment property (through higher vacancy) and as providers of funding for property construction (through defaults on outstanding loans), thus amplifying ripple effects throughout the economy.

Looking into property investment practices of PFs in Switzerland, Theurillat et al. (2010) noted a gradual transition from a more traditional strategy of long-term ownership (buy and hold) to a more active strategy of portfolio management (buy and manage), which involves more attention to the life cycle (economic, not physical) of the property. By identifying two channels for real estate investment (direct ownership and indirect investment through financial vehicles), the authors concluded that the direct investment channel would be more suited to more traditional strategies (buy and hold), while the outsourcing to investment vehicles would lead to bolder strategies based on constant monitoring of the portfolio income stream and frequent redefinition of the portfolio strategy. From a territorial point of view, however, the authors found little difference between PFs and financial intermediaries in their investment strategies, since both prioritize the most urbanized areas of the country.

Van Loon and Aalbers (2017) likewise turned their attention to PFs. Analysing Dutch PFs, they observed a gradual shift in their property market strategies as a result of their adoption of more financialized management principles. Four decisive changes were highlighted. First, there is a decreasing importance of political and social objectives in the allocation of resources, in favour of more focus on the risk–return ratio. Second, there was also greater variability in the classes of property assets selected, including investments in foreign countries. Third, with regard to asset management itself, a range of quantitative measures, common in the financial market, which allow estimation of the future value of the property and of the income stream generated by the lease were introduced. Finally, the

property acquired began to be treated as any financial asset, considered solely in terms of financial return performance.

A few studies have also explored how these financial market expectations and rationalities have shaped the urban built environment. Examining the case of an urban renewal project in the municipality of Saint-Ouen, in Greater Paris, Guironnet et al. (2016) claimed that financial community expectations have largely influenced the typology of commercial properties, including aspects such as minimum floor size, construction specifications according to international standards, location in relation to public transport, etc., all seeking to tailor development to the needs of blue chip tenants favoured by investment funds. In the Swiss case, Theurillat and Crevoisier (2014) highlighted how the presence of financial investors modifies the negotiation process for urban projects. The authors emphasized the need for local actors to work in order to 'anchor' financial capital in the territory, which involves negotiations with actors with diverging expectations and rationalities.

In their analysis of PF investment in infrastructure and property in California, Hebb and Sharma (2014) showed that such institutional investors are increasingly expected to plug funding gaps in urban revitalization. However, as such institutional investors are likely to employ risk-mitigation strategies, the projects they invest in 'tend to be "cherry picked" from a range of urban locations and selected on the basis of those deemed least risky (both financially and politically) for development' (Hebb & Sharma, 2014, p. 492). This reinforces uneven development at local and regional scales, with governments having to shoulder 'the responsibility of investing in areas that do not generate the needed financial returns that profit-driven urban development requires' (p. 492).

In sum, the literature concerning the participation of institutional investors and financial intermediaries in commercial property markets points to the diffusion of financial market rationalities, calculative techniques and risk–return conventions that are largely responsible for certain observed patterns of investment. These patterns are strongly selective both in terms of location and types of assets, and this selectivity has had far-reaching consequences for regional development – through the concentration of capital in few regions – as well as for the urban built environment – as cities increasingly rely on finance capital to boost tax revenues and to carry out development projects. While some pieces of research have specifically tackled PFs in developed economies, a case can be made, though, that in much of the literature PFs and their decision-making rationalities in the property market are not sufficiently distinguished from those of other financial market investors. Indeed, in his widely discussed piece on financialization, Christophers (2015) asserted that research on financialization has often refrained from delving more deeply into the practices and institutional organization of financial market firms. This often leads to an undifferentiated view of financial market actors as short-term investors driven by a uniform investment logic, as Özogul and Tasan-kok (2020) remarked with regard to the literature on housing. Additionally, it is worth noting that the growth of PFs is a relatively recent phenomenon in the Global South, and little is known about their governance models and decision-making context, or about their impact on economic development more generally. With the aim of partially filling this gap, this paper enquires into the decision-making rationalities underpinning property market investment practices of Brazilian PFs, as well as the potential outcomes of their investment decisions for urban and regional development.

RESEARCH METHODOLOGY

Recent approaches to economic decision-making have put into question some of the assumptions embedded in mainstream economics. Behavioural economics admits that individuals are not rational as assumed by mainstream neoclassical economics, relying instead on several

heuristics to deal with information asymmetries. Economic geography, in turn, places decision-making within their socio-cultural and territorial contexts, showing that decision-makers are embedded in networks of relationships that shape their preferences. Hence, their investment choices (including in relation to risk) are not stable but affected by the context, framing or environment in which these agents – with differentiated levels of cognition, but sharing certain rationalities – make decisions (Bathelt & Gluckler, 2003; Bacheer et al., 2016; Clark, 2000; Strauss, 2008, 2009).

Inspired by such approaches, we have turned our attention to the 10 largest PFs in Brazil to understand what rationalities underlie their investment decisions in property markets. We focus on the top 10 funds because they concentrate approximately 90% of all property assets held by PFs (Associação Brasileira das Entidades Fechadas de Previdência Complementar, 2019a) and provide more detailed information on their holdings. Our analysis covers the period 2017–19.² Table 1 lists these funds, their type of sponsor and the assets under management.

Our methodological approach involved three steps: first, we analysed the grey literature and business press material (outlets such as *Valour Econômico*, *Exame*, *InfoMoney*, *Investidor Institucional* and *Revista da Previdência Complementar Fechada*) concerning PFs, their portfolios and their governance structures, as well as their ties to other organizations; second, we located and classified all direct and indirect investments made by PFs in property between 2017 and 2019,³ so as to have a better understanding of where and in which types of buildings they allocate their capital; lastly, semi-structured interviews were conducted focusing on three types of actors involved in selecting and managing real estate assets in (for) PFs: (1) government-sponsored and private PFs' real estate portfolio managers (six interviews); (2) actors involved in policy-making networks (two interviews); and (3) financial market professionals who have relationships with institutional investors, in particular REIT managers (eight interviews). For all the three groups of interviewees, we discussed a broad range of issues related to

Table 1. Brazilian pension funds' property investments (2019, BRL millions)

Pension fund	Sponsoring firm type	Assets under management (BRL millions)	Value of property holdings (BRL millions)	%
PREVI	Public	212,883	14,281	6.7%
Petros	Public	90,716	4321	4.8%
Funcef	Public	73,594	6077	8.3%
Funcesp	Private	31,974	724	2.3%
Fundação Itaú Unibanco	Private	28,609	1004	3.5%
Banesprev	Private	25,686	686	2.7%
Valia	Private	24,699	1296	5.2%
Sistel	Private	19,301	584	3.0%
Real Grandeza	Private	17,867	1172	6.6%
Forluz	Private	16,758	817	4.9%
Total		542,087	30,962	5.7%

Sources: Pension fund annual reports; and Abrapp statistical report (December 2019).

the governance of PFs and their investment and management practices in relation to property assets. Specifically, for the first group of interviews, we posed questions related to: the structuring of the PF's property division; the criteria relating to the selection of assets and managers (outsourcing); and the changes internally generated due to recent regulatory changes, among other aspects. For the second group, we addressed broader questions about the agenda-setting process, receptivity to changes introduced by ruling n. 4.661 (explained below) and PFs' investments in a context of falling interest rates. For the third and last group, we enquired about PF asset selection, about their firms' relationships with institutional investors and about what differentiates this type of investor from other classes of investors (individuals, family offices, etc.).

In selecting our interviewees, we sought to cover a broad sample of professionals involved in the full range of management activities, including regulatory aspects, portfolio management decisions and asset management. We were able to interview property portfolio managers of the largest PFs – both public and private. Through the analysis of PF portfolios, we were also able to identify and interview representatives of financial service providers involved with PF investments in REITs (investment firms such as Votorantim, Kinea, Capitanea and others). Additionally, participant observation conducted over the past two years allowed us to recognize key networks connecting the financial industry with PFs, thus helping us select knowledgeable professionals. Other participants were enrolled through a 'snowball' technique (Morgan, 2008), which allowed access to the professionals' personal networks both within the industry and among outside service providers (including property consultants).

PENSION FUNDS DECISION-MAKING CONTEXT IN BRAZIL

Over the past decade, PFs have come under the spotlight in Brazil as a massive corruption scandal in government contracts was investigated by state prosecutors and widely divulged by the mainstream media. In one branch of this sweeping investigation, a few state-sponsored PFs were accused of having made investment decisions that largely favoured contractors with ties to political parties in the governing coalition. While it was not the first time PFs have been embroiled in corruption investigations,⁴ these latest developments have prompted a renewed discussion on the context of (state-owned) PFs decision-making.

Several scholars have shown that Brazil's largest PFs are subject to strong political pressure that induce them to carry out investments in line with governments' economic interests (Datz, 2013, 2014; Grün, 2003, 2005; Lazzarini, 2018), instead of pursuing a strict financial risk–return analysis. However, while political pressures over PFs sponsored by state-owned enterprises is a reality in the management of asset classes such as equity and infrastructure in Brazil, this is less evident in these funds' property departments⁵ whose managers have been granted considerable autonomy to make decisions according to a strict risk–return calculation. Indeed, several fund managers interviewed have described how property investment and management has become more 'professional' in recent years, akin to what one sees in 'an asset management firm' (interviews D, real estate portfolio manager of a state-owned PF; and E).

We have identified three main dimensions of PF investment practices that have become more open to financial techniques and rationalities, and thus more concerned with a strict financial risk–return analysis in investment decisions. First is managers' tendency to compare the performance of property assets with other types of investments, such as shares and investment funds (interviews D and S). Second, PFs have relied extensively on property consultants to prop up investment and management decisions (interviews A, real estate portfolio manager of a private PF; and P, head of market research and business intelligence in an international consulting company). They have hired services such as property appraisal,

market surveys and databases, as well as advice on portfolio selection and restructuring. In all these relationships between consultants and PF managers, valuation techniques and financial benchmarks were used as a way to ensure the ‘best decision-making’ (see also Shimbo et al., 2021). Lastly, the educational profile of the personnel hired by property departments in PFs has been gradually shifting towards people trained in finance and business (interviews A and B).

In all, property teams in PFs have been incrementally adopting more financialized techniques and routines in portfolio management, including in state-sponsored PF. Our claim, though, is that these financially driven practices alone do not explain PFs’ investment behaviour in property markets. Instead, we have found that, as property investors, Brazil’s PFs still largely prioritize long-term results, rely predominantly on internal expertise to carry out property investments and are generally loath to outsource investment decisions to the financial industry. These are characteristics that set PFs apart from other financial actors in property markets, calling for a more fine-grained analysis of their practices and their potential outcomes in terms of urban and regional development. In the following sections we discuss three variables that were found to be decisive in PF investment decisions. Table 2 summarizes each of the decision-making principles, their rationales and their outcomes in terms of investment practices.

ASSET-LIABILITY MATCHING

The constraints posed by meeting liability commitments are long known to influence investment decisions by PFs (Bonizzi & Kaltenbrunner, 2019; Monk, 2009), though little is known about how this factor affects PFs’ patterns of property investment. Indeed, PF managers have to be attentive to the long-term cycle of reserve accumulation (contributions made by future retirees) and retirement payments in order to maintain a healthy balance-sheet position. Thus, when one claims that PFs are becoming more concerned with short-term returns, and therefore more financialized, this largely means that the shorter cycles of investment and disinvestment are taking precedence in investment decisions over the longer term cycles of asset–liability matching. Our findings on the investment decisions of PFs in

Table 2. Decision-making principles and investment patterns

Decision-making principle	Rationales	Outcomes on property investment
Asset–liability matching	Adjusting risk exposure to cycles of reserve accumulation and pension payments	Cyclical shift from value-added strategies (immature plans) to core strategies (mature plans); long-term holding of assets in the portfolio
Property-specific management	Boosting returns by developing internal expertise and holding controlling positions in multiple owner assets	Management of assets with a view towards long-term revenue generation; renovations, expansions and improvements of assets owned (mostly with less mature plans)
In-house portfolio management	Avoiding hefty fees charged by the financial industry; keeping control over strategic decisions	Autonomy over allocation decisions; investments being conducted under the rationales, cognitive framework and scrutiny of pension fund managers

Source: Authors.

Brazil's commercial property market suggest, however, that these funds' patterns of investment – acquisitions, investments and sales – still largely reflect the maturity of the retirement plans.

Interviews conducted with both state and privately sponsored PFs have shown that managers who deal with property portfolios feel more comfortable in taking risks when using the resources from less mature retirement plans (interviews A and B, real estate portfolio managers of a state-owned PF) – although the PFs managers interviewed considered that the plan cannot be excessively immature since it is necessary to reach a minimum cash reserve threshold (interviews B; G; and C, a real estate portfolio manager of a state-owned PF), as it is preferred, by internal strategy, to buy a majority stake in projects (see below). Evidence on the largest PFs obtained from press material, as well as data on the assets in their portfolios, help substantiate some of these claims.

While overall PFs are not generally prone to excessive risk-taking in their property investments, evidence from PREVI, Valia and Funcef suggest that non-mature plans are often used for investments in new developments, as well as in expansions and renovations of rent-generating property owned by the mature plans of the same institutions – despite the fact that these less-mature plans currently hold a much smaller share of property investments (around BRL 877 million). Between 2017 and 2019, Funcef used part of its new plan's reserves to undertake the expansion of the shopping centre *Pátio Paulista*, located in a prime area in São Paulo city. Similarly, in 2018 and 2019, PREVI participated in the expansion of the shopping centre *Shopping Barra* in Salvador. In both cases, the PFs were already important shareholders of the shopping centres. We also found that capital from less mature plans tends to be used for greenfield development: PREVI recently launched a class-A office tower named *Jequitibá Tower* in the western section of São Paulo. The building was acquired in the construction phase as part of the long-term investments of the non-mature defined contribution plan (PREVI Notícias, 2019a).

Indeed, these findings concerning risk-taking fit into the results obtained by previous studies of PF investments in the 1990s (Grün, 2003; Jardim, 2009). At the time, plans that are now maturing were still accumulating reserves (most of them had been created in the late 1970s). Grün (2003) notes that, in the 1990s, PFs 'provided risk capital to high technology firms and financed the creation of business franchises . . . , as well as announced their participation in several ventures that could impact regional economies, such as tourist resorts and shopping malls' (p. 27).

As opposed to these value-added strategies in development and expansion pursued by PFs using money from less mature pension plans, once plans reach maturity managers generally give preference to the (passive) ownership of liquid, rent-generating core property such as offices and malls, due to concerns with benefit payments. Indeed, several funds have recently sold highly profitable stakes in property in order to meet liabilities due. The case of *Sistel* is emblematic: the PF held an ownership stake of about 10% in two well-structured, high-net-profit shopping centres, *Barra Shopping* and *Morumbi Shopping*, located in prime areas in Rio de Janeiro and São Paulo, respectively. As retirement payments fell due, *Sistel* was forced to sell its share in both high-yield projects to a property company (Cavalcanti, 2016). At the end of 2019, PREVI sold its 67% stake in a well-located building to increase liquidity and reduce the risks of its more mature plan, in line with growing benefit payment commitments (PREVI Notícias, 2019b).

In sum, PFs' patterns of investment in property still largely pay heed to the cycles of plan maturity, with less mature plans more likely to engage in so-called value-added strategies (Ronald, 2005), such as property development, and renovation. Additionally, PFs also hold assets in their portfolios for the long run, and have hardly engaged in purchases seeking short-term capital gains. This focus on the long-term can be confirmed by examining the property

assets in their portfolios: out of 227 assets held directly in these institutions' portfolios in 2019, 209 had been in their portfolios for five years or more (about 92%). While data on their portfolios for a 10-year span are not available for most PFs, the case of PREVI shows that out of 57 assets held directly by this institution in 2019, 40 assets (or about 70%) remained in its portfolio for 10 years or more.

These results indicate that PFs can still be considered a type of patient capital with a buy-and-hold attitude concerning property investments. As highlighted by one manager: 'thinking in medium and long term ... we don't care ... [if] really the investment is good ... we will stay there for 50 more years ...' (interview A). This has potential implications for urban and regional development, especially considering that Brazil has recently reformed its pension system to limit pay-as-you-go pensions. In the coming years, with the steady growth in new plan reserves, a new cycle of PF investment may come about in the form of brownfield and greenfield developments such as those described above.

PROPERTY-SPECIFIC MANAGEMENT

A second dimension that deserves attention concerns the way PFs manage the property assets they purchase. Our research shows that while PFs are as concerned about the risk–return performance of their investments as other financial market investors, they nonetheless consider that this performance relies on a set of specific competences and skills in managing property, as opposed to a more generic set of financial skills. This view of property assets is translated into managers' efforts in (1) acquiring a controlling stake in large multiple-ownership projects or investment funds they own; and (2) wherever possible, establishing partnerships with other PFs in managing such projects, as they are seen as partners with converging interests.

As one real estate manager in a PF stated, establishing partnerships with other PFs is often akin to a 'war strategy' that starts with the PFs involved making an initial outlay that gives them voice over decision-making (interview C). Reaching an agreement for the controlling position with other PFs, hence, is seen as a way of aligning investment decisions with their particular strategies (interview A). Moreover, the majority position allows managers to sign agreements and make decisions considered as 'differentiated' and 'strategic' for the financial performance of the asset, such as the choice of the project manager and decisions concerning maintenance and renovation (interviews A–C; and F, real estate portfolio manager of a private PF). Another dimension in which PFs favour establishing partnerships to conduct investments in property is in the – still incipient – exclusive REITs for PFs (interview H, investment director on the board of a non-profit organization that represents common interests of PFs). Commenting on a situation in which the PF she manages had a minority stake in a shopping centre controlled by other investors, the property manager identified the following lesson learned:

the PF ... , who is a partner of ours, we had a participation in a shopping centre together, ... [and] we devised an exit strategy, we started to create obstacles because ... , when we entered the segment, we were 'naive', we entered with a minority participation, so as not to put all the eggs in the same basket, [so] I had no control... [But as] two PFs ... together we had a power of veto, so we had a strategy of war [to exit], the power of veto [was used] to make the lives of the other shareholders hell, among them the developer... If you don't approve investment, you don't approve anything, because normally the quorum has to be more than 2/3 and needs your vote. ... If you obstruct everything, either the business will flounder or [the other shareholders] will come to buy you out, [so] that's what we did. We made a joint voting agreement.(interview C, February 2017)

A PF manager interviewed also added that when decisions require a special quorum and other agents are involved, such as family-owned companies and individuals, agreements about reinvesting in the property, especially in the shopping centre segment, are much more difficult to achieve (interview A). According to the same interviewee, these non-institutional actors do not see the property as an asset that needs to be taken care of and managed, but rather as an asset to be milked. This yield-driven strategy is also observed in many REITs who have individuals (instead of institutional investors) as shareholders, as this type of shareholding structure may favour a shorter term view that gives priority to monthly yields (interview R, financial director of a listed property company).

Combing through the data on the properties owned by PFs, we have been able to find 15 large-scale projects in which two or more PFs own stakes. In most of them, PREVI, the largest PF, has acted as an anchor for its peers who do not have large property management teams. Among these 15 projects, nine are class A or B office buildings located in São Paulo and Rio de Janeiro; and six are shopping centres in the states of São Paulo, Rio de Janeiro, Espírito Santo and Bahia. In several such projects, PREVI undertook extensive renovation or expansion work, underscoring its competences in long-run property management. Other management actions also attest to PFs' focus on long-term value extraction, such as their efforts at having their buildings certified as sustainable by international standards (PREVI, 2021; PREVI Notícias, 2019c; Ragazzi, 2012); marketing campaigns to attract consumers and tenants to their property (Funcf Notícias, 2014; PREVI Notícias, 2019d); and, in the case of PREVI, internal policies to encourage the participation of employees as facility managers in the property owned, as a way to ensure their interests are also represented in day-to-day management (PREVI, 2021).

One key example highlights PREVI's and its partners' long-term engagement with property management. Shopping ABC is a large shopping centre in greater São Paulo that was co-owned by three PFs (PREVI, Funcesp and Centrus) together with the listed property firm BR Malls. In 2010, PREVI decided to buy out Centrus and BR Malls, an additional investment of over BRL 175 million at the time (Investidor Institucional, 2010). According to one interviewee, what prompted this move was a dispute with BR Malls because the latter had a larger stake in a competing shopping centre in the same area and worked to attract the best tenants to its other shopping centre. The interviewee (and minority shareholder) also stated that the partnership with PREVI was fundamental in driving BR Malls away from the project, after which the shopping centre administration was changed and the project's revenues allegedly rose substantially (PREVI Notícias, 2019d).

In sum, rather than adopting a short-term, yield-driven approach to property, our research shows that the largest PFs in Brazil have focused on generating revenues in the long run – either as single investors or in partnership with other PFs. As the examples described in this section indicate, these actors' internal competences and skills in managing property have not developed overnight. Instead, they have been cultivated through long-term involvement in commercial property markets with a direct, hands-on approach to the assets owned. In addition to distinguishing these actors from other financial market investors, the development of internal, asset-specific management skills is one of the reasons PFs are wary of delegating decisions to the financial industry, as we shall see. Moreover, this long-term investment behaviour puts PFs in a position of potentially affecting, through their investment decisions, key dimensions of urban and regional development, as already pointed out by other scholars (Hagerman & Hebb, 2009; Hebb & Sharma, 2014).

IN-HOUSE PORTFOLIO MANAGEMENT

The last relevant point to be discussed concerns PFs' relationship with the financial industry. Indeed, several scholars have shown that specialized intermediaries are increasingly managing the investments of PFs in all kinds of assets, including property, across the world (Andonov et al., 2013; Theurillat et al., 2010; Urban, 2019). Since 2010, an expanding industry of investment intermediation has likewise gained traction in Brazil, with new investment houses managing vehicles such as REITs (Sanfelici & Halbert, 2019) and private equity funds, as well as creating and distributing all sorts of property-backed securities (Abreu et al., 2020).

Key financial industry players point to several benefits of third-party management for PFs. First, a lack of transparency in Brazil's property market, which raises the costs of obtaining the required expertise, would make specialized funds ideal vehicles for PFs (interviews A, C, E and H). For smaller funds, REITs are also a good option, since they do not have in-house expertise to invest in property directly (interviews A and H). Second, asset managers often cite the aforementioned cases of corruption and mismanagement in state-sponsored PFs as grounds for outsourcing investment management (interview G, high-level bureaucrat in regulatory body). Finally, these players often mention a higher degree of liquidity and diversification provided by investment vehicles such as REITs (interviews C and G).

Our research shows, however, that the largest PFs are generally reluctant to outsource investment decisions to the financial industry. The managers of the largest PFs claim that their organizations already possess the expertise needed in-house (interviews B, H and J) and that the fees charged by intermediaries reduce their financial returns (in line with Andonov et al., 2013). This is even recognized by asset managers in financial market firms. One manager in a large investment firm claimed that:

the big [pension] funds, mainly, ... have departments that care very well and know how to invest very well in real estate. It's that thing: why should I pay someone if I know how to do it? ... If I know, for example, how to change a shower at home, why should I pay someone to change a shower? ... It's that same way of thinking: ... if I have a real estate portfolio, ... I have extremely qualified people who can do these analyses [and] can have a tenants relationship area, why will I outsource to a real estate fund manager ... if I have to pay more for it? ... (interview J)

The investment barriers to smaller and medium-sized funds are higher because they lack a structure and sufficient knowledge to participate in the market. To overcome these difficulties, some interviewees claim that smaller funds already invest in REITs (interviews A; H; and I, chief executive officer (CEO) of an international real estate consultancy). The fact remains, however, that PFs invest considerably less in REITs and other property-backed vehicles than through direct ownership.

A key turning point for all PFs in this regard, though, may come about with a 2018 ruling issued by the National Monetary Board (CMN Ruling 4.661, see Brasil, Conselho Monetário Nacional (2018)) that prevented these organizations from investing directly in property. Following several previous regulatory changes curbing PFs' direct property investment, this latest resolution determines that PFs must dispose of all directly owned property by 2030, either by setting up property funds to manage these assets or by selling off the assets. The rationale behind the CMN's resolution is not entirely clear, but managers interviewed claim that, following isolated cases of mismanagement of property investments, the regulatory body took an uncompromising stance in favour of tightening constraints on direct holdings (interview G). Others pointed out that the ruling was aimed at ensuring the liquidity and diversification in PFs' property investments (interviews H and G). Lobbying by the financial

industry was also mentioned by some interviewees as a cause of change, though the interviewees did not want to provide further detail when asked (interviews A and G).

Regardless of the motivations behind it, the change was met with concern by PF managers who claim not to have been consulted by the CMN (interviews B and D). In their view, this transfer to special-purpose funds will involve substantial costs in terms of taxes due and fees paid to third-party financial industry managers (interviews A, B, D and F), while the alternative (selling off the assets) poses risks as the 12-year time horizon is considered too short to maximize sales value. In addition, they claim that delegating investment to the financial industry means relinquishing control over strategic decisions that are regarded as crucial to meet their target rates of return.

After the ruling's approval, PFs have increased their holdings of shares in property investment vehicles – mainly REITs (Table 3). This has allowed us to compare their direct and indirect investments in property in terms of both segment and location. Though the differences are not substantial, we have found that, in their investments using the indirect channel, PFs are skewed towards market segments such as logistics, while their direct holdings of property are concentrated in shopping centres and office buildings. This growth in logistics investments through REITs is more likely a bid by PFs to take advantage of the rapid expansion of a segment in which they have less internal expertise (Tauhata, 2020; Zonta d'Avila, 2020).

Lastly, as regards the location of investments, the differences between the direct and indirect channels are small, since in both cases the assets are strongly concentrated in the states of São Paulo and Rio de Janeiro (first and second in terms of gross domestic product – GDP), and particularly in their respective capitals and metropolitan areas. This selectivity flatly contradicts the claims made by the financial industry concerning the diversification benefits provided by REITs and other investment vehicles.

In all, even though a maturing financial industry has provided PFs with an array of property vehicles to invest in, senior managers in these organizations remain wary of delegating property investment decisions – due to both the financial costs and the loss of control over strategic decisions. Whether PFs will have permanently to delegate their investments to the financial industry will depend on the disputes still ongoing over CMN ruling 4.661 (Associação Brasileira das Entidades Fechadas de Previdência Complementar, 2019b; Corazza, 2019).

IMPLICATIONS AND CONCLUSIONS

The existing literature highlights how financialization has prompted a convergence in the investment rationalities and calculative techniques of financial market actors operating in property markets. This convergence was shown to have several implications in terms of urban and regional development – from the regional selectivity of investments to the narrow range of projects that financial investors are willing to back in urban contexts. Following Christophers' (2015) call for a fine-grained analysis of finance, we have examined the decision-making rationalities and investment practices of the top PFs in Brazil's commercial property market. We have shown that although PFs have begun to embrace financialized practices in their property departments, their behaviour in commercial property markets cannot be explained exclusively by this shift towards financialization. Our findings reveal that, in at least three aspects, PFs in Brazil are driven by motives and concerns other than short-term rates of return, or the search for higher liquidity: (1) their investments in property are still largely attuned to the long-term cycles of asset–liability matching, with the result that they are likely to hold property assets and make long-run investments in them; (2) in order to exercise control over strategic decisions, in line with their longer term view, PFs strongly favour majority control of complex, large-scale projects such as shopping centres and office blocks,

Table 3. Evolution of direct vs. indirect property ownership by PFs in Brazil (2017–2019)

	2017			2018			2019		
	Value of property assets (BRL billions)	Number of assets	%	Value of property assets (BRL billions)	Number of asset	%	Value of property assets (BRL billions)	Number of assets	%
Direct channel	23.1	323	89%	23.8	303	92%	23.9	285	77%
Indirect channel	2.8	94	11%	2.2	94	8%	7	136	23%
Total	25.9	417	100%	26	397	100%	30.9	421	100%

Sources: Authors based on the annual reports from the top 10 pension funds in Brazil (2017–19).

whether by owning a controlling stake or by partnering with other PFs; and (3) PFs are generally reluctant to delegate investment decisions to the financial industry, due to both the costs associated with third-party management and the loss of control over strategic decisions, aligned with the fund's overall portfolio strategy.

These findings have theoretical and policy implications that deserve to be underscored. On the theoretical side, our paper highlights the gains generated by an in-depth analysis of the investment rationalities driving financial actors' property market decisions. While it is certainly true that the liberalization and deregulation of financial markets have generated all sorts of pressures on financial actors to embrace a short-term return maximization strategy (Monk & Sharma, 2018), several differences in investment behaviour – dictated by social context, institutional constraints and path dependency – linger among financial investors. Understanding such differences is key to understanding the power wielded by these investors in shaping social and economic outcomes at regional and urban scales. In this sense, our study fills a gap by looking more closely into the investment practices of PFs in the commercial property market, and specifically in a Global South context, less studied by scholars in economic geography and urban studies.

By shedding light on the investment criteria used by these actors, as well as on their actual investment practices, several regulatory and policy-making issues are also raised. First, our results call into question the rationales upon which the CMN has relied to ban all direct property investment by PFs. While there are governance issues that undoubtedly need to be addressed by better regulation, especially in state-sponsored PFs, it remains the fact that the largest PFs have the competences and skills needed to invest directly in property, and thus deliver better results to end beneficiaries by sidestepping the hefty fees charged by the financial industry. Additionally, institutional money directly managed by PFs could potentially be harnessed to long-term sustainable development goals, a point also stressed by financial geographers (Bacheer et al., 2016; Clark, 2017; Hagerman et al., 2007; Urban, 2019).

Second, a better understanding of the decision-making rationalities of PFs, and particularly of their shifting attitude towards risk and return in conformity with their liability commitments, should create opportunities to provide incentives (tax or others) for such actors to engage in urban development projects – preferably in cities less favoured by private capital flows, and in projects that have broader social and environmental impacts, as a way of alleviating Brazil's deep-rooted regional inequalities (Campolina Diniz & Vieira, 2016). For this to happen, however, the recent ruling that puts PFs' money at the disposal of the financial industry would have to be revoked.

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NOTES

1. Institutional investors are generally understood as those organizations that have a long-term investment commitment and hold large money reserves that are channelled to capital markets. We can consider as institutional investors PFs, sovereign wealth funds, employee funds, insurance companies and endowments, but also the asset management firms that help these organizations secure returns on their investments (Clark & Monk, 2017, p. 20).
2. Until recently funds could largely rely on government bonds to provide the returns needed to fund pensions. This started to change in 2015–16 as interest rates declined substantially. It was mostly the largest PFs (PREVI, Petros and Funcef) that ventured significantly into asset classes such as shares, property and infrastructure before 2015.
3. Due to regulatory constraints in Brazil, PFs only invest in domestic property, in both the direct and the indirect channels. Regarding data, little information is available about the past investments of PFs, as it was only relatively recently that PFs were required to provide more systematic information on their balance sheet.
4. Scandals involving PFs have also taken place throughout the 1990s, as these organizations were directed to purchase stakes in state-owned enterprises that were privatized (Grün, 2003). Several of the investigations carried out by the recent operation Car Wash (*Lava Jato*), as it was called, have been tainted by evidence of collusion between prosecutors and judges to achieve political goals (Londoño & Casado, 2019).
5. Among the largest PFs, only Petros has faced corruption charges concerning its investments in property. The PF was accused of overpaying for an office complex built in the city of Salvador by government contractors involved in kickback schemes (Goulart, 2020; Schmitt, 2018).

DISCLOSURE STATEMENT

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Unpacking corporate ownership in property markets: A typology of investors and the making of an investment value chain in Brazil

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Abstract

Over the past few decades, a growing number of studies have analyzed the social, spatial, and economic consequences of the sharp rise in corporate ownership of property assets. These studies have shown that financial(ized) rationalities, preferences, and techniques increasingly shape the investment behavior of corporate landlords, with notable effects in cities and regions. Less attention has been given, however, to the heterogeneity of actors that are bundled together under the umbrella of corporate landlords, as well as to the investment strategies these different actors pursue. In this paper, we aim to fill this gap by analyzing the investment behavior of three corporate and financial investors in Brazil's commercial property markets: pension funds; listed property firms; and real estate investment trusts. Drawing on institutional and evolutionary approaches to economic geography, we build a typology of investor types in Brazil's commercial property markets which shows that the investment preferences of these actors are largely shaped by three key variables: their organizational rules and routines; their ownership structure; and differential access to financing. In addition, we show that these investment preferences translate into distinguishable patterns of property investment and influence broader property market dynamics by giving shape to an investment value chain.

Keywords

Corporate landlords, financialization, commercial property markets, market behavior, investment value chain

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Introduction

Over the past decade, real estate has increasingly commanded the attention of scholars as a driving force of change in cities across the world (Lizieri, 2009; Shatkin, 2016; Weber, 2015). In particular, the recent trend toward the financialization of real estate has eased the way for a wider range of investors seeking a return from this asset class. The specific characteristics of real estate as an asset class—its non-correlation with other asset classes such as stocks and bonds, as well as its long-term nature—makes it particularly attractive to institutional investors in a scenario of low-interest rates and scarce opportunities for diversification (Aalbers, 2020; Bonizzi & Kalterbrunner, 2019; Hebb & Sharma, 2014; Monk, 2009; Wijburg & Aalbers, 2017).

In this context, research in urban studies has made considerable progress in analyzing the growing flows of financial capital into the real estate market. These studies have generally regarded large institutional investors—sometimes dubbed “corporate landlords”—as a type of investor driven by financial(lized) metrics and rationalities and have shown how these investors’ expectations and decisions are increasingly shaping the way cities are produced and managed (Beswick et al., 2016; Halbert et al., 2014; Janoschka et al., 2020; Van Loon & Aalbers, 2017; Weber, 2015). However, we contend that, while sharing some investment assumptions, such investors often vary in terms of their actual investment practices. This raises the question of whether acknowledging the varieties of existing investor types and investment practices among financial actors may yield new insights into the functioning and evolution of property markets and, more broadly, into the production of cities. Following Özogul & Tasan-kok’s (2020) cautioning against treating different types of property investors as “one and the same,” in this article we seek to address this question by scrutinizing and comparing the investment practices of three financial and corporate owners in Brazil’s commercial property market: listed real estate investment trusts (REITs), pension funds (PFs), and listed property companies (PCs). By developing an analytical typology to categorize these actors’ behavior in commercial property markets, we identify the diversity of business strategies pursued by these three investor types and explain these strategies as largely shaped by historically contingent institutional and organizational constraints. Furthermore, we argue that, by acknowledging diversity, we bring into view trends in property markets that remain overlooked when we treat investors uniformly as “corporate landlords” or simply “financial capital.” In particular, we identify and discuss the structuring of an *investment value chain* in commercial property, whereby different actors perform different functions in the creation and maintenance of buildings as income-yielding assets.

This article is divided into four parts. In the “From the secondary circuit to varieties of financial capital: taking stock of diverse investment practices” section, we discuss the literature that analyzes the emergence of institutional landlords in the real estate market and lay out our conceptual framework. In the “Actors studied and methodological procedures” section, we briefly introduce each of the three players analyzed and outline our research methodology. In the “Key variables driving investment decisions” section, we introduce an analytical typology that helps us describe and make sense of the investment behavior of these players. Finally, in the “A typology of investor types in commercial property markets” section, as well as in the conclusion, we explore the consequences of these diverging investment behaviors and discuss some of the key theoretical implications of our findings.

From the secondary circuit to varieties of financial capital: Taking stock of diverse investment practices

Since David Harvey’s (1982) seminal re-conceptualization of land ownership under capitalism, urban political economy has been interested in understanding the conditions under which capital

switches to the “secondary circuit” of land and property investment as opportunities for accumulation dwindle in manufacturing and related sectors (Haila, 2020). Scholars in this tradition have long called attention to how property has become enmeshed in circuits of financial capital as mortgage lending and institutional ownership of buildings took off in the last few decades of the 20th century, thus enabling land to be increasingly treated as a “pure financial asset” or a “quasi-financial asset” (Beauregard, 1994; Coakley, 1994; Gotham, 2006; Harvey, 1982). However, while this literature has drawn attention to the broader context of “capital switching,” it did not specify in more detail how financial investors engaged in the property market, the particular strategies they pursued, and the different ways through which this financial rationality has affected property markets and cities more broadly.

In the early 21st century, and particularly in the wake of the 2008 financial crisis, property rapidly emerged as an investment alternative in the portfolio of institutional investors and financial intermediaries, as the latter sought higher returns amid declining interest rates. In this context, an expanding literature has made considerable progress in understanding the economic and socio-spatial impacts of the investments made by institutional investors in property by resorting to and elaborating on the concept of financialization. In particular, by combining the insights of political economy with an institutional perspective on markets applied to empirical case studies, this scholarship has generated valuable insights into how these investors are reshaping commercial property markets and how their investment priorities shape the cities and regions in which they invest.¹ Two strands of literature on the issue stand out. The first concerns the studies that have delved into the financial, economic, and regional outcomes of the portfolio and asset management decisions made by institutional and financial investors. The second focuses on how the investment priorities and decisions taken by these actors have shaped the urban built environment in various contexts.

Regarding the first strand, several scholars claim that financial market investors exhibit a strong selectivity in favor of global cities in building up their property portfolios. Lizieri (2009), Charney (2001), and Theurillat et al. (2010) (in the UK, Canada, and Switzerland context, respectively) provide us with an example of how financial actors and institutional investors act with a strong spatial selectivity—favoring larger cities—when selecting the properties that will make up their portfolio. As Henneberry and Mouzakis (2014) claim, this spatial selectivity is caused by “familiarity bias” and herd behavior that drives investors to overestimate the risks of investing in other regions, as opposed to investing locally. To the authors, this explains the persistent gap in yields, as well as in the availability of funding, between prime areas and other regions. The few studies that have investigated the issue in developing countries have found similar trends. Halbert and Rouanet’s (2014) findings concerning India’s property markets show that financial investors’ search for transparency and liquidity largely explains the metropolitan bias in real estate investments. Comparable trends are found, respectively, in Mexico (David & Halbert, 2013) and Brazil (Sanfelici & Halbert, 2019).

A second group of studies has spelled out the consequences, for the urban built environment, of the prominent role played by financial investors in commercial property markets. Theurillat and Crevoisier’s (2014) study in Switzerland, Guironnet et al.’s (2016) study in France and David & Halbert’s (2013) study in Mexico City show that, while several actors with diverging agendas have shaped the outcomes of urban development projects and commercial properties in all contexts, financial actors impose risk and return rationalities that now must be considered when projects are built. The first two studies describe how the projects’ features in both contexts had to be altered several times to meet the expectations of financial investors for property assets that generate a steady rental income. David & Halbert’s (2013) study of Mexico City, on the other hand, shows how foreign investors’ search for transparency has led them to invest in outlying municipalities, where established business networks did not create barriers for new-coming investors using financialized accounting and calculative techniques.

In sum, while the literature on the “secondary circuit” has put the spotlight on the broader political-economic conditions that have enabled financial capital to switch to real estate as accumulation elsewhere weakens, the recent scholarship on the financialization of real estate has delved more deeply into how the rationality and expectations of financial market actors largely shape their investment priorities and thus the types of buildings, projects, and geographies they are willing to invest in. Yet because neither has given proper attention to the heterogeneity of investor types that exist under the umbrella of “financial capital,” they run the risk of “black boxing,” “finance itself—its institutions, its functions [...], its revenue-and-profit generation models [...], and its socio-spatial configurations” (Christophers, 2015, p. 191). By drawing on the insights on the contextuality of practices provided by institutional approaches we may recognize that, while all investors share in the broad-based, financialized market conventions that circulate through professional and business networks, a set of institutional constraints faced by different types of organizations often leads to different orientations in terms of risk-taking (for instance, greenfield development vs. passive rent extraction), investment time horizons (longer-term holding of assets vs. short-term capital gains), location preferences (metropolitan cores vs. metropolitan fringes and smaller-sized cities), and models of rent extraction (rental income plus development profits vs. exclusively rental income). Understanding such differences and their origins, we claim, adds value to the literature on financialization both at the *economic* level, as it enables a better grasp of the aggregate functioning of property markets by shedding light on the different functions performed and strategies employed by market actors and how they ultimately collaborate in the structuring of an investment value chain (Arjeliès et al., 2017)¹; and at the *political* level, given that, by recognizing the economic interests, as well as the financial and institutional resources on which investor strategies rely, it allows us to have a better sense of the (differential) political power exercised by such investors and how they may change the cities and regions in which they invest.

An analytical framework for scrutinizing investor types and investment practices in commercial property markets

Our analytical framework relies on evolutionary and institutional approaches as key lenses through which to scrutinize and contextualize market behavior by placing firm-level economic practices as both molded by larger-order institutional structures and as a set of forces constantly (re)shaping such structures (Jones & Murphy, 2011).

From evolutionary economics and evolutionary economic geography (EEG), we take the idea that organizational routines strongly influence the observed behavior of firms in market contexts (Boschma & Frenken, 2006; Boschma & Martin, 2007; Nelson & Winter, 1982). Such routines are rooted in the long-run history of the organization, thus reflecting the broader market context from which it emerged and the external challenges it had to respond to and adapt to over time. Once these routines get firmly entrenched, however, they tend to evolve only slowly, and are thus prone to all sorts of path dependencies dictated in large part by the “cultural and administrative heritage of accepted practices built up over the course of the firm’s history” (Dicken & Malmberg, 2001; see also Bebchuk & Roe, 1999; Fuchs & Scharmski, 2009; Schreyögg & Sydow, 2011). As firms’ histories are varied and as their practices are constantly evolving, we can expect a diversity of organizational architectures to co-exist at any point in time and in any given industry, even though market forces work incessantly to select competitive market behaviors that are better adapted to a given context.

While the focus on the individual organization and its endogenous evolution constitutes a crucial lens for analyzing firm behavior, institutional approaches add an additional layer of complexity by

conceiving organizations (firms) as embedded in broader, multi-scalar institutional arrangements that shape business practices (Martin, 2000; Zukauskaitė et al., 2017) by providing a set of incentives to and constraints on action. Where institutions are concerned, scholars in economic geography have often placed emphasis on the territorially bounded institutions that set the “rules of the game” (Gertler, 2010) underpinning market transactions across all industries. However, a case can be made that an equally (or perhaps more) important dimension of institutional influence over investment behavior comes from industry-specific arrangements (Boschma & Frenken, 2009), as our case study largely confirms. In addition, institutional forms are not carved in stone, but are instead permeable to the political agency of business groups and associations at different scales, thus suggesting the need for an understanding of how organizations and institutions co-evolve (Bathelt & Gluckler, 2014; Gong & Hassink, 2019).

Relying on such a framework, we provide an analytical treatment of the actors’ firm-level organizational routines and the broader institutional arrangements that frame their market behavior. Following that, we connect the heterogeneous market behavior exhibited by financial actors and their distinct investment patterns to broader property market dynamics.

Actors studied and methodological procedures

Before describing the methodological procedures, it is worth briefly clarifying who these domestic investors are and what is the market context under which they operate.

Since the early 2000s, the property market has become one of the most important alternative investment outlets for financial investors in Brazil. This decade became a turning point in this market as several factors converged to make property investment attractive to large institutional investors: first, macroeconomic stability achieved in the 1990s meant that smaller investors, who had long used property as a hedge against inflation, could redirect their savings to more liquid financial assets, thus leaving room for more professional investors; second, as interest rates declined in the mid 2000s, large institutional investors have sought to diversify their investments away from government bonds into higher-yield assets, property being one of the preferred alternatives; third, as the economy grew in the wake of the emerging market commodity boom, new demand for space from firms spurred new construction in segments as varied as retail, storage and logistics facilities, offices, and hotels, thus creating a pool of income-yielding assets for potential investors; and, lastly, firms added to this asset pool of assets by externalizing their property wealth with a view to focusing on their core business (Alencar, 2014). Altogether, this resulted in a growing share of commercial property being *developed, owned, and managed* by professional investors, such as family offices, PFs, REITs, and PCs.

PFs are widely discussed in the international literature as important actors of post-1980 capitalism (Clark, 2000). Despite this vast literature, the performance of PFs in the Latin American context is still scarcely studied, especially regarding their investments in property. In Brazil, PFs have grown considerably in the wake of an array of pension reforms enacted throughout the 1980s and 1990s, which made possible the consolidation of a private retirement system. Since the 1990s, PFs have become important investors in the office market, purchasing large corporate buildings in major cities (Fix, 2007; Magnani et al., 2021). Currently, PFs have approximately BRL 1 trillion in assets under management, BRL 32 billion of which are invested in the real estate market, with only the five largest funds holding about BRL 23 billion (Associação Brasileira das Entidades Fechadas de Previdência Complementar, 2020). Although they invest in other classes of assets, the property has become, in the context of falling interest rates and the COVID-19 crisis, an enticing investment opportunity for PF managers (Pereira, 2019; Schincariol, 2020).

REITs, called *Fundos de Investimento Imobiliário*, are collective investment vehicles, managed by financial institutions, whose purpose is to pool dispersed capital to invest in property assets and

distribute the results to their shareholders. Although these vehicles were authorized in Brazil by a law passed in the early 1990s, REITs only experienced a significant growth over the last 10 years: from 2009 to 2019, the number of registered funds has increased more than sixfold (from 89 to 552) and their market capitalization has grown from BRL 5 billion to almost BRL 178 billion (Uqbar, 2021). Finally, PCs are listed as limited liability corporations whose goal is to invest in the property market, distributing their results to shareholders. PCs have existed since the 1980s but have grown substantially since the early 2000s in Brazil. Some of them emerged as spinoffs of family controlled property development firms that had been operating for a longer time. Currently, a group formed by 12 companies amasses almost BRL 83 billion in property assets (BMF Bovespa, 2020).

The overall amount invested in the property market by the three players analyzed was close to BRL 300 billion between 2020 and 2021. While this value is not restricted to commercial property, it is mostly concentrated in this segment.

Analyzing how institutional and corporate investors conduct investments in real estate to distinguish their practices and potential outcomes for property markets required a methodological approach that could provide ways to not only understand their specific rationalities and operational routines, but also compare them using common categories of analysis. Recognizing this difficulty, as well as the lack of access to information and reports from some of these actors (especially PFs), we conducted a qualitative inquiry comprised of four steps.

First, we analyzed the business press material, regulatory documents concerning the three actors studied, and industry reports and publications. In the business press, we selected and examined the subjects covered over the last four years (2018–2021). In addition, we subscribed to websites that bring together specialized professionals who publish content and analysis for their subscribers, such as *Clube FII*, and watched several webinars offered by these organizations and actors. We focused our analysis on four key factors: (1) innovation, that is, how these agents differentiated themselves from competitors by exploring niche markets and adopting distinct governance practices; (2) strategies of portfolio building and management, that is, what these institutional investors are prioritizing in the moment of acquisition, sale, and development of properties; (3) property location, focusing on their current areas of activity, and property types invested, as well as their territorial expansion or retreat; and (4) relations between the three agents and other market players, such as consultants and international enterprises.

Second, we located and classified all property assets owned by PFs (BRL 31.6 million), REITs (BRL 220 billion), and PCs (BRL 48.2 million) in the real estate market in 2020 (for PFs³) and 2021 (for PCs and REITs) to have a more accurate understanding of where and in which types of property they allocate their capital.⁴ To do so, we have manually collected information from annual reports of the 10 largest PFs—who together concentrate over 90% of the total invested by this investor type in the real estate market—concerning direct and indirect investment in property (the latter, which consists of investment in REITs, makes up only 23% of the total invested in the property class). The assets were georeferenced using the name of the property and/or location (data provided in the reports). Data on REITs was accessed from *Clube FII*, a private database that compiles data from different primary databases, such as monthly and annual reports of individual REITs compiled by the *Comissão de Valores Mobiliários*, a government body. The aggregation of the data and the complementation with information not available in *Clube FII*'s database was conducted by the research team manually and by consulting each one of the annual and monthly reports from each REIT. Data on PCs, in turn, was also collected from the annual reports of these companies that are available on their websites.

Third, we conducted semi-structured interviews (38 in total) between 2017 and 2021 with the managerial staff of the firms studied, as well as with assorted professionals in financial services. We selected a broad sample of professionals that are directly involved with portfolio management and decision-making within the three organizations studied. Among these interviews, 8 were

conducted with real estate portfolio managers in government-sponsored and private PFs (group A in the interviews cited); 20 targeted REIT managers from the largest asset management firms in Brazil, such as Votorantim, Kinea, Capitânea, Vinci Partners, RB Capital, and others (group B); 2 were carried out with PCs (group C); 2 with senior managers of international property consultants (group D); 4 with senior representatives and bureaucrats from associations and regulatory bodies (group E) and 2 with real estate developers (group F). For all the interviewees we posed questions specific to their operational routines, decision-making process, governance aspects, and property management practices. We also posed questions related to the differences, similarities, and established relationships among the three groups of actors. Finally, we carried out participant observation at events and congresses related to the commercial real estate market, especially when representatives of the three actors investigated here were present. The attendance at these networked time spaces (Ibert et al., 2015) was not only crucial to determining the relationships established between these actors and observing the process of knowledge creation, but also to obtaining access to the professionals interviewed through snowballing.

Finally, after analyzing and triangulating all the material collected in interviews, press, and participant observation, we inductively built up the variables of analysis for constructing a typology of investment practices.

Key variables driving investment decisions

Our research has identified several variables driving key differences in terms of investment strategy among these three investor types. After analyzing, filtering, and categorizing these disparate explanatory variables, we were able to narrow them down to three key dimensions that have exhibited an outsize influence on the strategies these investors adopt, how they conduct these strategies, and the property types and locations they invest: (1) the organizational rules and routines that are dominant among each investor type; (2) the ownership structure of these organizations and the rules governing revenue distribution; and (3) the opportunities for financing new investments by issuing debt or equity. We will describe and analyze each of them, before moving on to a more integrated analysis of their overall meaning.

Organizational rules and routines

Drawing on evolutionary economics (Nelson & Winter, 1982), economic geography has long been interested in how organizational structures and organizational routines are constantly evolving as a response to competitive pressures, while at the same time reshaping the playing field of the competition itself (Boschma & Frenken, 2018). Our empirical material suggests that organizational characteristics are key variables to explain the market behavior of the actors studied.

It is worth noting, in this regard, the substantial differences in terms of governance models that strongly affect the discretion enjoyed by managers in making investment decisions, as well as the time frame of such decisions. In this respect, PFs are the least flexible organizations of the three: strict governance rules aimed at aligning sector managers to the organization's overall investment goals mean that investment decisions by managers in property departments are subject to the approval of the board of trustees. This procedure considerably lengthens the time needed to reach an investment decision and thus limits managers' room for engaging in more opportunistic investment behavior (Interviews B4, C1, D1, B12, and B13). This is often underscored by the REITs' managers and property consultants interviewed. As one REIT manager stated:

PF as institutional investors have more [complex] routines. You have the committees, [then] the board must approve. So, with PFs, there are more steps to follow before an investment. Often times we begin

to arrange [an investment] mandate and it takes a year and a half [to] [...] go through the investment committee, the board, then you have to negotiate the terms [of the contract], it goes back and forth. (Interview B2)

These characteristics of PFs are reinforced by ingrained, path-dependent organizational routines (Schreyögg & Sydow, 2011) that are designed to prioritize long-term, low-to-moderate risk investments. Indeed, within state-sponsored PFs, the largest investors in property in the group, the professional body is often composed of employees whose careers were pursued in the sponsor firm, instead of in financial markets. This often means that their views lean toward more conservative investment options (Interviews A1, A2, and A3) that preserve the fund's ability to meet future liabilities (Sanfelici & Magnani, 2022).

REITs, in turn, present a more variable picture, because managerial discretion is influenced to a considerable degree by investment mandates. For instance, some REITs clearly specify in the statutes the list of assets that will be managed. These funds, classified as passive in Brazil's legislation, limit manager functions to day-to-day management of the assets owned. Yet most REITs are now classified as active, granting managers more discretion to buy and sell property to beat a set benchmark—though approval by shareholders is often needed for broader changes in investment strategy. This means that, compared with PFs, REITs have more organizational flexibility to seize investment opportunities when they appear—their limitations stemming instead from other characteristics related to shareholder structure and financing (see the “Ownership structure and revenue distribution requirements” and “Financing opportunities” sections). To this must be added the fact that many of the REITs set up lately are spinoffs of investment banks or investment management firms and thus share with their parent companies organizational routines that are geared toward short-term opportunities (Interviews B1, B9, and B14). As one REIT manager notes when asked how they take investment decisions:

[...] opportunities emerge from diverse sources. [...] Once these opportunities arise, we have a few committees to take a quick decision: “this makes sense, this does not”. [...] Once we decide it makes sense, we move on to due diligence — collect information, rental contracts, [...] visits to the property. And then we submit a proposal. (Interview B9)

In general terms, managers in PCs likewise enjoy considerable discretion to reach investment decisions in a short span of time. Despite this flexibility, however, a distinction regarding the other players analyzed must be made in terms of organizational structure. First, some of these listed firms are still family controlled, with the founders still holding a considerable sway over investment decisions. Thus, a strong element of path dependence in corporate strategy may be present in those firms that have long specialized in specific asset types. But more often the case, these firms have become more susceptible to shareholder discipline after going public (Interview C2). This means that, although managers have considerable discretion under an agreed investment mandate, activist shareholders may redirect the firm toward other investment strategies. This is exemplified by one manager at a large PC:

We changed a lot the firm's [...] investment thesis when we changed our board of directors. [...] When we got into an uncomfortable position in terms of leverage [...], we had to raise capital with shareholders. [...] At that point, they [shareholders] decided on two things. First, a change in the firm's management. So, the CEO and all directors were replaced, and this new management came with a new strategy, obviously because our previous strategy was not working. There was too much leverage, little equity and [a strategy] 100% focused on development. The difference we brought in our management was to bring third-party capital [...] and an investment [strategy] much more focused on acquisitions [of developed property]. (Interview C2)

Moreover, PCs are more likely—due to organizational and institutional features—to establish partnerships with other important niche market players. As our investigation shows, this happens in moments when the firm seeks to engage in a specific operation in a market niche on which they do not have the expertise to execute and operate. Differently from REITs, which most of the time remain in well-established market segments and avoid taking on too much risk, PCs often team up with specialized partners that enhance their risk-taking investments.

Altogether, organizational structures strongly shape what managers can do in terms of investment strategy and their ability to make investment decisions quickly. But this must be seen, though, alongside the other two variables.

Ownership structure and revenue distribution requirements

A second variable observed that distinctly shapes investment behavior, particularly in terms of risk attitudes and investment time preference, concerns the ownership structure of these three organizations, how this structure conditions revenue distribution practices, and how it ultimately constrains investment options and investment timing (Bachher et al., 2016; Deeg & Hardie, 2016; Kang & Sorensen, 1999; McCarthy et al., 2016).

In this respect, PFs are peculiar organizations, in that revenue distribution (in the form of retirement income) takes place only at the end of a long period of time and beneficiaries are typically passive in relation to management, as well as not likely to reclaim their funds before retirement. This leaves ample room for trustees and managers to decide autonomously on investment strategy. Our data show, however, that property managers in large PFs usually stick to models of Asset-Liability Matching that prescribe investment decisions in line with the maturity of liabilities due (Interviews A1, A2, and A4). This means that PFs are more likely to engage in riskier ventures in property markets—by making brownfield investments, even in locations considered less standard to invest in—when pension plans are less mature, but shift to a more passive, lower-risk investment strategy—by investing in rent-generating core property—as benefit plans come closer to their maturity (Sanfelici & Magnani, 2022).

This ownership structure is in stark contrast with listed, for-profit organizations such as REITs and PCs. The fact that shares in these organizations are traded on the stock exchange and owned by shareholders⁵ give the latter leverage to influence the decisions of managers responsible for defining the investment strategy. Overall, our research shows that managers in both REITs and property firms are much more concerned about shareholder perception and shareholder reactions (be it in the form of “voice” on management boards or “exit” by selling shares). However, differences in terms of regulatory framework and end-investor type set apart REITs and PCs across several dimensions, shaping distinct investment strategies.

In this respect, it is worth mentioning that listed REITs are required by law to distribute 95% of revenues accrued to shareholders, with a minimum periodicity of 6 months (Brazil, Federal Law No. 9.779, 1999). This strongly constrains the ability of managers to hoard cash to carry out more ambitious investments, either in new acquisitions or in improvements/expansions of the assets owned. As opposed to that, as firms subject to corporate rules, PCs have more autonomy to distribute dividends to shareholders when and in the proportion they see fit. This gives managers more flexibility to use cash reserves to seize investment opportunities.

In addition to (and in part thanks to) these differing requirements in terms of revenue distribution, REITs and PCs have attracted a fundamentally different type of end-investor. REITs were set up initially as tax-exempt investment products for middle-class households seeking to diversify their portfolios (often away from real property). Because these investors prize reliable, steady investment income, most REITs pay out dividends monthly (thus more often than required by

law) and prefer investment strategies that generate immediate cash flows. As one interviewee in a PC explains:

A question that many people pose is: “why would I buy a [share in a property firm] instead of buying [shares] in REITs?” The answer I like to give is that those are investment tools [that are designed for] different types of investors. This has to do with risk-taking. [...] REIT is a product designed for retail [investors], especially given the tax exemption it enjoys. [...] In the case of firms that have a more active management of portfolios [property firms], we use a different metric [than the] monthly dividend yield. We work with a metric of absolute return on investment. So, I will work much more with an IRR [Internal Rate of Return] than with a cap rate [such as] dividend yield. When I make an investment, I see what the growth potential of this asset is, how I will liquidate it in the future, at what price I will sell it in the future. (Interview C2).

Overall, then, key differences among these three investor types in terms of investment practices and investment options are driven by their ownership structure, the profile of end-investors, and the rules governing revenue distribution. This leads to variable attitudes toward risk-taking—with PFs at the lower-risk end of the spectrum and PCs at the higher end—as well as different time horizons of investments—with REITs focusing on immediate revenue-generation through acquisitions while PFs and PCs are likelier to engage in longer-term strategies (though in different ways, as we will see).

Financing opportunities

The last variable that our research has identified refers to how they raise additional capital (either equity or debt) to purchase new assets, refurbish or renovate the assets owned, or else engage in new development projects. Variable access to capital sources and the liability structure of firms strongly shapes whether and how these actors seize investment opportunities and the type of risk they are able and willing to run (Minsky, 1975).

In this respect, PFs are again unique in that they cannot easily raise equity nor issue debt to invest, first of all, because pension plans rarely receive a large inflow of new money at any point in time. When confronted then with new investment opportunities in property, managers in PFs’ property departments must bargain with the board of trustees to shift capital allocated in other securities (shares, bonds, asset-backed securities, etc.) to their own department. This requires justifying the targeted asset in terms of risk-return in comparison with other investment options in financial markets, and in line with the fund’s overall target rate of return and stage of plan maturity. Given the prolonged analysis that precedes a shift in capital allocation within the portfolio of such organizations, PFs often lack the organizational flexibility to take advantage of one-off opportunities to buy up distressed property assets or to swiftly join an investment partnership.

Overall, publicly listed organizations such as REITs and PCs have thus more opportunities than PFs to raise fresh capital for investment. But rules preventing REITs from issuing debt, combined with the dividend distribution requirements mentioned above, means that the latter can only count on new share issues and sales of owned property to raise new capital for investment (Interview B1). This puts REITs at a disadvantage in relation to PCs, which are allowed to issue private bonds in capital markets. More precisely, raising capital by REITs is strongly contingent on the expectations of capital markets. One manager at an asset management firm sums up this difference in terms of the cyclical dynamics of capital markets in relation to property markets:

[...] REITs are at a disadvantage by being prevented from using leverage. And when I see the current scenario, [...] I feel like crying. Because there is an opportunity to buy brick [property] at an interesting price, because of all the uncertainty... it is in these foggy moments that good opportunities arise, right?

Except that nobody wants to give you money. [And also] because the law requires [REITs] to distribute huge payouts and then you have little cash in balance. The shares are [priced] below [the REITs] assets and issuing [shares with a price] below [what] your assets [are worth] is terrible. So [REIT managers] don't do anything and just keep looking at that huge amount of property in the market at a reasonable price. [...] But they can't do anything, right? [...] So not having leverage is bad for REITs. (Interview A8)

Even though such constraints on debt are unanimously seen as limiting the flexibility of REITs, they are not always regarded as negative by managers in the REIT industry. In fact, managers view them as suitable for a product that is designed for retail end-investors, who are usually wary of too much risk (Interview B12).

In sum, different financing opportunities through a combination of equity and debt means these three investor types face variable limitations and opportunities in terms of risk-taking and in terms of the time frame of their investments. While PFs and REITs currently lack the flexibility of PCs to engage in opportunistic acquisitions during downturns in property markets, they are more protected against the risks posed by excessive leverage.

A typology of investor types in commercial property markets

Our key contention is that these organizational and institutional features—related to management routines, ownership structures, and financing opportunities—translate into distinct business strategies and patterns of investment, summarized in Table 1. In it, we identify six different strategies of property investment that are strongly correlated to increasing levels of risk in investors perception: (1) passive, long-term rental extraction, which refers to the ownership of property for longer periods of time with investment limited to upkeep; (2) passive, short-term rental extraction, which is similar to 1, except that holding times are often shorter to take advantage of property cycles to obtain capital gains through acquisitions and sales; (3) active management for rental extraction, which comprises strategies of substantial expansion and renovation of property assets in order to extract more rent, as well as an attention to property cycles for timely acquisitions and sales; (4) greenfield development for rent, that is, development of new property in order to incorporate it into a portfolio of income-yielding assets; (5) greenfield development for sale, which concerns strategies of development of new property assets for sale to other investors or owner-occupiers; and (6) strategies of short-term capital gains through opportunistic acquisition (often leveraged) of distressed assets. Each of these strategies (second column) is tied to certain institutional and organizational constraints (first column) and, in turn, circumscribes the options available to actors in terms of typical investment products (third column) and investment geographies (fourth column). Furthermore, each strategy positions the players studied in an investment value chain that treats buildings as income-yielding assets.

Starting with PFs, by analyzing the portfolios of the 10 largest funds we have noted that these actors remain conservative in terms of investment strategies, resulting in long-term holding of property (1) (Interviews A1 and B10), even if they have become more open to advice provided by international consultants that often recommend portfolio turnover (Shimbo et al., 2021). Although they do engage in more active asset management (3), investing in the expansion or renovation of property such as office blocks and shopping malls, this tends to occur when pension plans are less mature (Interviews A1 and A2; PREVI Notícias, 2019a, 2019b) and when they own majority stakes in multi-owner, large-scale projects (Interviews A2, A3, and E1). More often, though, PFs hold a property for the long run, usually more than 10 years, only making minor investments in maintenance without substantially altering the profile of the property. Additionally, investments in property by PFs have targeted mainly the core areas of the two largest metropolitan

Table 1. A typology of investors in Brazil's commercial property market.

	Organizational and institutional constraints	Typical property investment strategy	Investment products	Investment geographies	Notable projects
Pension funds	<ul style="list-style-type: none"> - Complex and bureaucratic governance limits manager discretion and lengthens decision-making. - Path dependence in organizational structures, as well as managers' fiduciary duty restrict excessive risk-taking. - Liability structure (pension plans) favors longer-term investments. - Limited opportunities for raising new capital and lengthy decision-making constrain opportunistic investment. 	1 (common), 3 (less common)	<ul style="list-style-type: none"> - Core assets, mainly retail (shopping malls) and office towers. - Expansion and renovation of owned assets (usually malls) using less mature pension plans and when enjoying a majority position in the property owned. 	- First-tier metropolitan cores (São Paulo and Rio de Janeiro)	Pátio Paulista (São Paulo)
Listed REITs	<ul style="list-style-type: none"> - Ownership structure composed of retail, small investors favors immediate revenue-generating strategies. - Strict requirements of dividend payout, along with constraints on leverage, limit funding for substantial new investment. 	1 (less common), 2, 3 (common), and 4 (less common, usually big players)	<ul style="list-style-type: none"> - Core rental assets, including retail (malls), office, logistics, hotels, and college campuses. - Greenfield projects by major REIT players in partnership with an expert firm that holds majority control of the property. 	<ul style="list-style-type: none"> - First- and second-tier metropolitan cores - Metropolitan fringes (logistics) 	Edifício Chucri Zaidan (São Paulo)
Listed Property Companies	<ul style="list-style-type: none"> - Corporate organizational structure gives the CEO/manager more discretion to explore and adjust (at opportunistic times) investment strategies. - Ownership structure composed of institutional investors favors riskier and longer-term revenue-generating strategies. - Permission for leverage allows for more flexibility in investing throughout the real estate cycle. 	3, 4, 5 (common), and 6 (less common)	<ul style="list-style-type: none"> - Large-scale mixed-use projects (usually anchored by the mall) for rental or sale. - Retrofit of obsolete office buildings; niche products (lockers, delivery platforms, etc.). 	<ul style="list-style-type: none"> - First and second-tier metropolitan cores - Medium-sized cities (Malls) 	Barra Shopping Sul and surroundings (Porto Alegre)

Source: Made by authors.

agglomerations in Brazil (São Paulo and Rio de Janeiro) and have been limited to two key segments: offices and malls. As we saw, this behavior largely stems from constraints on risk-taking and incentives to long-term investment within these organizations, such as their liability structures, their governance rules, the strong path-dependence in investment choices, and the limited opportunities for raising additional capital.

An example of such a strategy (1 and 3) is provided by the investments undertaken by Funcef, a PF sponsored by the state-owned bank Caixa Econômica Federal. The mall Patio Paulista, located in a prime area of the city of São Paulo, is owned by the PF since the 1990s. Recently, it has worked actively to make renovations and expansions in the mall. Between 2017 and 2019, Funcef used part of its new pension plan's reserves to undertake a BRL 500 million expansion of the mall. Together with this investment, the PF inaugurated a waste recycling program that collects and treats organic and recyclable waste. This has ensured that all the garbage produced is recycled and compacted, to help reduce the amount of trash destined for landfills (Funcef, 2015). This example illustrates a common behavior among PF which includes a longer-term vision of property value creation. As we observed, the largest PFs have been keen to obtain green certificates for the buildings they own in order to improve their valuation for the time they plan to sell the property, that is, when the pension plan reaches maturity.

REITs again are more heterogeneous, first because the first generation of REITs, set up before 2010, was made up of single-asset vehicles whose shares were sold to small investors seeking regular returns. In these cases, REITs were rather passive owners (1) that held property for the long run. After 2010, though, most funds were set up with an active-management mandate whereby managers have discretion to buy and sell property, and portfolios are composed of several assets (sometimes of different property segments). As these funds have been established by asset management houses, their management often incorporates financial(ized) rationalities not only expressed by the use of metrics such as discounted cash flow to guide investment decisions, but also by their tendency to regard property as an asset to be bought and sold throughout property cycles so as to extract more value in the short-run (3) (Interviews B5 and B12). A small portion of REITs also undertakes investments in the property owned to seek the "highest and best use" (Interviews D1, B1, B5, and A8). However, this usually occurs when their share prices are higher (Interview B12) and when their end-investors—such as PFs and family offices—require this type of investment strategy when joining an exclusive fund (Interviews D1, B5, B9, and B10). In addition, a few well-established and large REITs engage in the development of new property to incorporate it into their own portfolios (iv), but this strategy is less common overall (Interviews B9 and B12).

Riskier strategies of development or opportunistic acquisitions, represented in Table 1 by 5 and 6, are generally not explored by REITs because the latter still appeal mostly to small, retail middle-class investors who seek regular returns as a way of complementing income from other sources. This means that waiting for an investment in a new project to bear fruit (3 to 5 years) is not interesting for this type of shareholder, while only recently institutional investors such as PFs have become interested in acquiring shares in REITs. The lack of opportunities for raising additional capital adds further constraints to such a strategy by preventing REITs from buying assets or making investments when prices are low. As opposed to PFs, though, REITs are more diversified in terms of (a) segments, with portfolios including offices, shopping malls, logistics, hotels, hospitals, and university campuses; and (b) in terms of investment geographies, with more investments targeting second-tier metropolitan areas such as Belo Horizonte, Porto Alegre, Curitiba, as well as on the fringes of first-tier metropolitan areas in segments such as logistics. This diversification reflects, for the most part, a logic of specialization and scale economies, as new REITs targeting specific market niches have been set up to attract different types of investors. Despite some diversification in terms of sector and location, though, REITs mostly continue to follow strategies 2 and

3, acting preferentially as rent-extractors and investing in buildings that (i) have been recently completed; (ii) have undergone renovation; and/or (iii) are in areas of the city that managers see as potentially attractive to blue-chip tenants.

A typical investment of a Brazilian REIT can be illustrated by the recent acquisition made by Credit Suisse Hedging-Griffo (CSHG), an investment management firm that holds one of the biggest property portfolios in Brazil. From 2019 to 2021, CSHG bought a class-A building named Edifício Chucri Zaidan, located in a core area of São Paulo that recently was the target of a large public–private urban intervention. When the investment took place, the building had just been renovated, including the installation of an antenna tower, a theater, and a newly refurbished floor. In the investment thesis that was publicly shared, the REIT points out that the acquisition of the building was made taking into consideration the transformation of the surrounding area, which now has new lines of metro and buses, and the possible arrival of tenants from the banking and services sector. This example illustrates how REITs in Brazil act preferentially as rent-extractors, investing in new (or recently renovated) buildings and where good tenants are expected.

Finally, PCs are more likely to deploy a broader range of strategies, with much more exposition to risk. This includes development and management of assets such as mixed-used projects anchored by a shopping mall, but also more idiosyncratic strategies such as: retrofitting obsolete buildings (considered risky in Brazil due to the lack of an appropriate regulatory framework); creating property assets with less usual features and uses (e.g., the network of suburban strip malls Best Center, owned by São Carlos); and exploring innovative services and facilities in the properties they own (e.g., developing exclusive delivery platforms for retailers and installing pick-up lockers). It is worth noting that major PCs such as Iguatemi, BR Malls, and Multiplan are also mall operators, thus amassing expertise in both property investment and the management of retail spaces. Specifically, in these projects anchored by malls, PCs also have more dispersed geographies of investment, spreading to second-tier metropolitan areas (such as Porto Alegre, Belo Horizonte, Recife, etc.) and mid-sized cities. As discussed, the tendency to engage in riskier strategies stems from the fact that PCs are corporate organizations owned by professional investors (Interviews B4, C2, and B14) who provide wider latitude for managers to pursue a business plan. Access to capital through bond issuance also provides these firms with more opportunity to finance renovations and expansions, as well as asset acquisitions, throughout the property cycle.

Multiplan's actions in the southern city of Porto Alegre (metro area of 4.5 m inhabitants) provide an interesting example of the typical approach (3, 4, and 5) taken by PCs. In its investment in the waterfront of Guaíba Lake, Multiplan has embraced a long-term strategy of greenfield development combining retail, office, and housing. Its first action was the inauguration in 2008 of a 300,000 m² shopping mall targeting middle- and upper-income households, with established brand names as tenants. This investment was followed by the construction, on the same site, of two high-rise office towers—inaugurated in 2011 and 2015, respectively—and a 23-story residential condominium. While the two office towers have been incorporated into Multiplan's portfolio of rental properties, the residential building was sold to end users. A second phase of Multiplan's transformation of this area began in the 2010s. A stone's throw from the site where now sits the mall and the three buildings, Multiplan had also purchased, in 2009, a 163,000 m² land plot from a horse racing track. Throughout the 2010s, Multiplan worked through the complex bureaucratic procedures of approval for a large-scale residential development comprising 18 high-end buildings facing lake Guaíba, together with several private amenities, such as fitness center, artificial lake, (outdoor and indoor) pools, spa, etc. After obtaining the final approval in 2019, Multiplan started developing the first condominium, comprising 4 residential buildings and expected to be delivered in 2024. The rest of the development will be concluded in phases over the next 10 years (Laurence, 2021). This example illustrates Multiplan's willingness to engage in a range of longer-term, riskier greenfield development strategies rarely deployed by other large players in the commercial property market.

All in all, even though the usual caveats should be made regarding the limitations of any typology as an analytical tool, the interpretation of our empirical material through the lenses of institutional and EEG has allowed us to contextualize the market behavior of the different types of investors in Brazil’s commercial property market by connecting particular risk-adjusted investment patterns to historically contingent organizational and institutional constraints. More than that, though, our findings yield insights into the aggregate functioning of the commercial property market in Brazil by suggesting connections between firm-level dynamics, institutional context, and broader market outcomes. For instance, our typology provides evidence of a functional division of labor within the property market that may be interpreted as an emerging investment value chain whereby actors with varying risk profiles and different business strategies collaborate to create and maintain buildings as income-yielding assets (see Figure 1). As we observed, REITs engage more commonly in acquisitions of new (or recently renovated) buildings for rent extraction. For this reason, we can expect REITs to work as important absorbers of property stock shed by the other two large investors—either through new output (greenfield) or through portfolio turnover. Relatedly, we can anticipate demand shocks in commercial property driven, in large part, by surpluses or shortages of demand coming from the REITs. This fluctuation between times of high and low demand will likely be strongly tied to the ups and downs of financial market expectations, as REITs rely predominantly on new equity raised in the stock exchange. Finally, when comparing the business strategies of the actors studied, it is fair to believe that REITs will significantly shape the strategy developed by PCs and, to a lesser extent, also PFs—the first as developers of greenfield property, the second as sellers of property as pension plans mature. These findings were largely confirmed by recent property transactions (buying and selling) involving the actors studied (Brandão, 2020; Brandão & Ryngelblum, 2020; Ryngelblum & Gutierrez, 2019; Valor Econômico, 2019) and by some interviewees when asked about their investment priorities and their relative position within an investment value chain (Interviews B14, B18, and B20).

An additional aspect to be highlighted has to do with the development of new property (greenfield investment). As opposed to what is common across major cities of the Global North, where foreign investment provides a larger share of the money that goes into commercial property markets, our study has focused on a Global South economy where the key investors remain, for

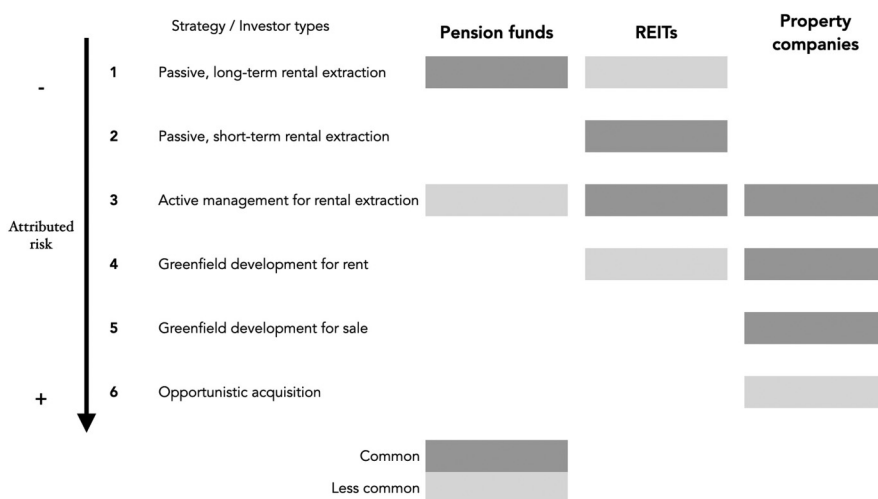


Figure 1. Market strategies and the making of an investment value chain. Source: Made by authors.

the most part, domestic. By shedding light on the restrictions faced by domestic investors in terms of ownership and financing structures, as well as by highlighting organizational path dependences, our study has shown that only PCs, among the largest institutional investors, are willing to develop new projects. There are thus market segments, such as logistics, and investment geographies that are likely to attract foreign capital because they are currently under-explored by domestic actors (Interviews B6, F1, and F2). In this sense, it is perhaps no coincidence that well-known foreign private equity firms, such as Hines, Tishman Speyer, and Brookfield, as well as developers such as Prologis and GLP, and international PFs, especially the Canadian Pension Plan (CPP Investments), have recently made inroads into market niches not explored by the actors studied here (Reuters, 2022; Siila, 2021, 2022; Quintão, 2019a, 2019b, 2021). Also not coincidentally, these international players, being less subject to Brazil's macroeconomic environment, show up strongly in this market when a slowdown of domestic investment is observed.

Implications and conclusion

Over the past few years, a burgeoning literature in urban political economy has turned attention to how financial market actors are increasingly venturing into property markets, with key consequences for urban development. Yet while this scholarship has made considerable progress, it has often overlooked the variations in the market behavior of financial actors by placing them all under the label of “corporate landlords” or “financial capital.” By focusing on three financial investor types, we have shown in this article that such differences in market behavior are not inconsequential idiosyncrasies, but instead touch on critical aspects such as the propensity to take on risk, the time horizon of the investments undertaken, the revenue extraction models, and the preferences in location. Although our typology reflects the context of a single country, with its unique history and institutions, this research nevertheless provides a broader theoretical contribution to the literature on financialization as it shows both the *economic* and *political* relevance of better contextualizing market behavior.

At the *economic* level, our findings underscore the emerging functional division of labor performed by property market investors along an investment value chain that works to create and maintain buildings as income-yielding assets. Understanding this division of labor and its institutional context is relevant both at the firm level and at the aggregate level. With regard to the prior, it provides a better understanding of the expected market behavior of specific investors toward both other market actors—whether and how they may collaborate in joint partnerships; what kinds of projects they are more likely to engage in; what transactions they may be involved in—and toward governments—for instance, how willing they are to take on risk in urban renovation projects proposed by policy-makers. With regard to the latter (aggregate level), our findings may provide a better grasp of the overall dynamics of property markets by distinguishing between different market strategies (greenfield development, passive rental extraction, etc.) and how they may affect the overall supply and demand for commercial property at any given circumstances.

Yet our research also provides clues to understanding these investors as *political* actors who have distinct interests in policy issues as well as different institutional capacities to exercise political power at various scales. For instance, as actors with a strong interest in long-term development, PCs are usually eager to get involved in municipal zoning laws, land use regulations, and urban renewal projects, as the case of Multiplan in Porto Alegre, has largely confirmed. Contrastingly, the asset management firms that shelter REITs are less concerned with local legislation, as new development is not usually their business focus, and much more with a whole range of regulatory issues that may affect the attractiveness and effectiveness of REITs as investment vehicles, while PFs are also concerned about issues related to the investment constraints and investment requirements affecting their organizations. By tracing the institutional incentives behind market behavior, our analysis

thus affords insights that may help researchers understand property investors as political actors with different policy agendas.

Finally, our study opens up possible future research agendas. By understanding market actors as bounded by institutional and regulatory constraints, our research provides elements to explore several understudied dimensions of market competition in property, including innovation, and envisage possible outcomes in terms of urban development. How do these actors along the value chain interact (both collaboratively and competitively) on a day-to-day basis to create and maintain buildings as income-yielding assets? How are smaller, local property actors engaging with this group of large, well-funded investors? Is this growing market power of a small group of large investors limiting the options both of other private developers and of local governments seeking to fund redevelopment projects? Those are a few research questions not directly addressed by this paper which can certainly benefit from our investigation into the diversity of investment practices in commercial property.

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Notes

1. Given the focus on commercial property by the actors studied, we have decided to limit the discussion to the literature on commercial property markets. However, many of the findings in this literature find echo in the burgeoning discussion on corporate landlords in housing markets. See Beswick et al (2016), Janoschka et al (2020), and Christophers (2022).
2. Though slightly different, as it includes state actors and professional networks, the concept of asset-assembly line put forth by Weber (2015) has resonance here.
3. At the time of analysis (early 2022), a number of PFs were late in releasing their 2021 annual reports.
4. Many methodological obstacles had to be overcome as, in addition to the lack of access to aggregated information, a large share of these agents' reports was not easy to access and not standardized, and often lacking information regarding property investments.
5. Throughout the article, we use the word "investor" to refer to the three types of organizations that are the focus of our study. We are thus referring to them as investors in property assets. However, interviewees occasionally use the word investor to refer to the end-investors (i.e. shareholders) in REITs and PCs.

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Beyond global metropolises: the role of financial investors in medium-sized Brazilian cities

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Abstract

After the 2008 crisis, several studies sought to understand the effects of the intersection between capital markets and production of urban space. While many studies focused on metropolises, this article highlights medium-sized cities. Its argument is that the financial investors operating in these cities, as well as their investment criteria, are distinct from those investing in the more established real estate markets of major metropolises. They are notably property companies and real estate investment funds that prioritize diversification across real estate segments, primarily focusing on shopping centers and logistics, instead of seeking specific locations. To develop this argument, interviews with real estate sector actors, analysis of press materials, and documentary research in portfolios of institutional investors were conducted. Recognizing these differences allows us to understand "what kind of financialization" occurs in each of the real estate segments and in different cities, contributing to a more nuanced critique of these dynamics

Keywords: Financialization, Production of urban space; Real estate market.

1. introduction

After the *subprime* crisis in 2008, a significant number of studies in the fields of geography, architecture and urbanism, territorial planning and related areas were dedicated to understanding the effects of the growing flow of financial capital, its techniques and actors on the production of space.

This debate on the processes of urban financialization has concentrated on the main metropolises of the central and peripheral capitalist countries. Fewer studies have focused on metropolises that are considered secondary in the global investment market, or even on medium-sized cities. With this in mind, this article seeks to contribute to the latter trend and analyzes the decision-making criteria used by financial investors when investing in (what they call) "secondary cities" or "secondary markets".

The argument of this article is that these cities are possible *loci* of a financialization process of their own, since the criteria for investment in these locations differ from those mobilized by financial agents when investing in large metropolises. Unlike the traditional markets (considered "*core*") that attract

financial investors, such as the corporate slab market in São Paulo, the investments made by these players in medium-sized cities, as we propose, seem to be more strongly related to decision criteria that favor the diversification of investments by segments (related to the uses of the buildings) than by locations.

The picture of investment by financial actors in global metropolises and in medium-sized Brazilian cities is considerably different. And this is due not only to the different financing circuits that take place in the most different cities - whether or not they are more likely to attract and retain capital from large financial investors - but also to the different types of financial actors who are inclined to create and maintain these investment channels. In addition, apart from who the investors are, their criteria for deciding to invest in global metropolises and medium-sized cities can also present fundamental differences that should not be overlooked.

To develop this argument, we used dense empirical material, the result of 1) more than 40 semi-structured interviews carried out since 2019 with a range of actors involved in the real estate investment process in Brazil - such as managers of real estate investment funds, property companies, pension funds; real estate developers; real estate consultancies; regulators and so on; 2) analysis of press material; and 3) documentary research on real estate portfolios of institutional investors (pension funds, real estate investment funds and property companies).¹

The article is structured in five parts, in addition to this introduction. The first part reviews the international debate on urban financialization, and then focuses on the Brazilian school of financialization of the production of space, marked by two waves of study. The second part presents the methodological strategies for analyzing the actions of financial investors in the commercial real estate market. The third and fourth parts discuss the empirical results of the research, focusing on the types of actors who invest in medium-sized cities and their investment criteria. Finally, the concluding remarks relate how the anchoring of financial capital in medium-sized cities can promote changes in urban and regional structuring and present questions for a future research agenda.

2. Urban financialization: its objects and waves of study

Different objects and spaces in the built environment (housing, infrastructure, commercial buildings, logistics, etc.) began to be financed through capital market circuits, involving different actors and instruments, from the 1980s onwards. Although they acquire particular features in different countries and regions and segments (infrastructure, residential and commercial) some common trends have been highlighted with regard to the commercial segment, the focus of this study.

2.1.A neglected segment: commercial real estate

Since the 2008 crisis, urban studies dedicated to the processes of

financialization have focused heavily on housing (AALBERS, 2012; FIELDS, 2018; GOTHAM, 2012; FIX, 2011; SHIMBO, 2012; ROLNIK, 2015), infrastructure (HEBB & SHARMA, 2014; HAGERMAN & HEBB, 2009; O'NEILL, 2013); and what have become known as major urban projects (FANSTEIN, 2008; RUTLAND, 2010; SAVINI & AALBERS, 2016; THEURILLAT & CREVOISIER, 2013; HALBERT & ROUANET, 2014; WEBER, 2015).

Significantly fewer studies have sought to understand the changes involved in the commercial real estate market, which includes offices, shopping malls, logistics condominiums, rental housing, hotels, universities, among other facilities (HALBERT, 2010; HALBERT & ATTUYER, 2014; SANFELICI 2018; WIJBURG & AALBERS, 2017). The changes that have occurred in this market are mainly related to: 1) its growth with the demand of occupying companies and the functioning of global property markets (LIZIERI, 2009); 2) the change in the pattern of property ownership (rental *versus* outright ownership) of large economic groups (HALBERT, 2013); 3) the involvement of institutional and financial investors as investors in the commercial real estate market (SANFELICI & MAGNANI, 2023; THEURILLAT et al, 2010; VAN LOON & AALBERS, 2017; SANFELICI & HALBERT, 2019; GUIRONNET et al., 2016).

This article seeks to contribute to this latest trend in national and international literature that analyzes the involvement of financial investors of different kinds - pension funds, real estate investment funds, banks, etc. - in the commercial real estate market. In general, these actors show a selective behavior in the conduct of their investments, directing capital mainly to the so-called "global cities" (MAGNANI et al., 2021; MARTIN & MINNS, 1995; THEURILLAT et al, 2010; TAPP & WEBER, 2023) and to real estate assets of a high construction standard (SANFELICI & MAGNANI, 2023; TAPP & WEBER, 2023).

This behavior can be explained both by the so-called "*familiarity bias*" (see more in HENNEBERRY & MOUZAKIS, 2013) and by the *social networks* that facilitate - or not - investment in certain cities (see more in DAVID & HALBERT, 2013). As a reflection of this highly selective look at what and where is "worth the investment" for these investors, medium-sized and "unattractive" cities have come to be considered secondary both in investor decision-making and in the research agenda on urban financialization.

2.2. The two waves of study in Brazil and the extension to medium-sized cities

Transformations in the housing, infrastructure, urban projects and commercial real estate sectors in Brazil have been recorded in two waves of studies that have followed the country's economic and political cycles and, consequently, the periods of boom and bust in the real estate and construction markets (SHIMBO & SANFELICI, 2023a)².

The first wave of studies focused on the boom in real estate activity that occurred between 2009 and 2014. As Klink and Souza (2017) show, these studies focused on four main trends: 1) the new capital circuits and financial innovations in the real estate market (FIX, 2011, SANFELICI, 2013 ROLNIK, 2015); 2) the large publicly traded developers and construction companies operating in the

housing sector, with dependence on public and semi-public funds (ROYER 2009; SHIMBO, 2012; SANFELICI & HALBERT, 2016); 3) the privatization of urban infrastructure (BRITTO & REZENDE, 2017); and 4) public-private partnerships and financial mechanisms for urban development (KLINK & STROHER, 2017; PEREIRA, 2016).

This wave identified financialization as the vector of structural transformation of the national real estate market precisely because of its closeness to the capital market. In theoretical terms, political economy was the main approach chosen. In addition, the priority focus of the studies was housing, as it was the segment that changed the most during the period (SHIMBO & SANFELICI, 2023a).

The second wave of studies examines the period from 2015 to 2022, marked both by an initial reduction in real estate activities followed by an upturn and by the incremental advances of urban financialization, with the diffusion of new financial instruments and the expansion into economic sectors hitherto not very close to finance (SHIMBO & SANFELICI, 2023a).

One trend of this second wave relates specifically to the commercial real estate market. It focuses on the role of institutional investors and real estate consultants (MAGNANI & SANFELICI, 2022; SHIMBO & SANFELICI, 2023b), which was key to

the increase in financial instruments backed by commercial real estate. Some of these studies focused on real estate investment funds and their role in the urban configuration of the country's main metropolises (SANFELICI & HALBERT, 2019; NAKAMA & RUFINO, 2022).

Despite the concentration of studies on metropolises, some authors have focused on the growing territorial diffusion of practices and agents linked to financialization in medium and small cities (ZAMBONI et al., 2019; FRIENDLY, 2019; ABREU, 2016). As these studies show, the process of financialization in these cities has peculiar characteristics that cannot be analyzed and understood based solely on the theoretical and conceptual framework already developed by the financialization debate in Brazil's main metropolises. MELAZZO et al. (2021), for example, show that the growth of Real Estate Receivables Credits (CRI) backed by housing loans has helped financial techniques and vehicles that previously centralized their operations in large cities to spread throughout Brazil.

3. How to capture the picture of investment in Brazil's medium-sized cities: methodological strategies adopted

This article seeks to contribute to this debate on the diversification of both the territory and the segments of the real estate market related to the processes of urban financialization. To do so, it starts from broad empirical observations that aim to uncover the actions of institutional investors in the Brazilian commercial real estate market. Based on the performance of real

estate funds in medium-sized cities - especially in the city of Ribeirao Preto (SP), the focus of the project coordinated by Prof. AUTORA2 - some initial observations are summarized below which concern: 1) the characteristics of investors who operate in medium-sized cities and; 2) the decision criteria these investors use to invest in these cities.

Before moving on to the empirical results of this investigation, it is worth highlighting the methodology used in this study. Understanding the investment strategies of financial investors is a task that requires a great deal of methodological effort (HALBERT,

2021). In the case of the Global South in particular, the scarcity of secondary databases and the lack of standardization in the information that is made available make it even more difficult to conduct studies that aim to open the "black box of finance" (CHRISTOPHERS, 2011). This article is part of an investigation that has been underway since 2019 and has resulted in dense empirical material on the investment of financial investors in the Brazilian commercial real estate market. The empirical material was collected and analyzed within a qualitative research approach, following different methods and techniques.

Forty-three semi-structured interviews were conducted with a range of actors involved in the real estate investment process of Brazilian institutional investors - such as managers of real estate investment funds, *property companies*, pension funds; real estate developers; real estate consultancies; regulators and so on. They were asked questions related to the choice of segments and locations for investment decisions and the relationships between the myriad of players involved in the development of commercial real estate. In addition to the interviews, an analysis was carried out of more than 200 articles collected from the Brazilian press, which mainly investigates economic issues, such as InfoMoney, Valor Econômico, Investidor Institucional and the like. In addition to this material, livestreams were collected and analyzed from different channels, such as Clube FII and GRI Club.

As the focus of the investigation was on pension funds, real estate funds and property companies - the three financial players with a considerable portfolio of commercial real estate in Brazil - we carried out a documentary survey of their investments using the reports available on their websites and in the CVM's general register. With the portfolio of these major investors, we were able to verify the location, segment and architectural and financial characteristics of the main properties in the portfolio. With this data, we were able to cross-check the strategies of institutional investors in commercial real estate in Brazil and, more specifically, the characteristics of investors operating in medium-sized cities and the decision criteria these investors use to invest in these cities, as shown in the results below.

4. Who are the financial investors who invest in medium-sized cities?

The first major condition to be observed when analyzing who the investors are who "venture" into regions considered unattractive to financial investment is

their propensity to risk and their financing structure. Following the argument and typology of Brazilian institutional investors proposed by Sanfelici & Magnani (2023), some financial actors have a greater propensity to invest in real estate assets that are unconventional to the financial market - either due to their location or characteristics. As the authors point out, property companies and real estate investment funds are the two main investors that are likely to seek out medium-sized cities to invest in commercial properties.

Real estate investment funds in Brazil have recently incorporated specific niches and segments of the commercial property market into their investment strategies. These new funds were created to attract different types of investors interested in including classes of commercial property considered more "alternative", both in segments - such as hospitals, universities, hotels and logistics - and in metropolitan regions considered less conventional for investment, such as Belo Horizonte, Porto Alegre, Curitiba, as well as in medium-sized cities.

With regard to property companies, the authors point out that companies such as Multiplan, BR Malls, BR Properties, São Carlos and others are more likely to employ riskier investment strategies. Within this differentiated range of investment strategies, these companies, most of which are also shopping center operators, end up investing in less selective geographies, including medium-sized cities, and developing commercial properties.

Complementing the characteristics pointed out by Sanfelici & Magnani (2023), we observed that these two types of financial actors, especially real estate funds, need internal expertise and *social networks* to make investments in medium-sized cities. With regard to internal expertise, the interviews conducted suggest that asset managers often do not feel able to carry out an investment in cities whose economic, social and real estate dynamics they do not fully understand. This lack of knowledge on the part of managers is also coupled with the poor development of networks with local actors, such as builders, local government, developers, etc., which prevents or hinders the anchoring of financial capital (CREVOISIER & RIME, 2020; THEURILLAT & CREVOISIER, 2013; BARDET et al., 2020) in these cities. In the words of a financial manager who avoids investing in "non-core" regions because he doesn't feel integrated into the dynamics of these regions:

When you go to Belém, it's a very different market from [the likes of] São Paulo and Rio de Janeiro. All the actors are different, so you can put whoever you want there, but you're always going to be the foreigner. The local [actor] will always have an advantage over you. Because they know the politics, they know the people, they know the retailers, they know where these people are going [...] So there's a power game with the people you're going to interact with that we have a much harder time doing without knowing the market better. That's why we prefer to stay here in the city

of São Paulo. Because we know it, we're here every day. I get to know the demands before they even exist, precisely because I'm in contact with these people. Direct contact is not a phone call or, in this case, nowadays a Zoom conversation [...]. But I run into the guy walking along Faria Lima, I make a lunch date and I run into him at lunch. So these things happen informally and we get to know things. [...] I'll know that they're discussing a change to the master plan [...]. I can anticipate movements in the city's growth vector. (Property Company investor relations director; July, 2020)

Recognizing that local networks of contact and sociability and knowledge of the medium-sized city market is a clear limit to investment by institutional investors, when we look at the picture of investments in medium-sized cities we come across investors who therefore have a better-developed organizational structure that allows them to overcome these obstacles.

In this sense, the real estate investment funds of large investment houses such as Credit Suisse, BTG Pactual, Kinea etc. end up being the main players investing in medium-sized cities. This is due, among other things, to 1) the internal capacity that these large houses have to invest in structuring areas that aim to formulate investment theses exclusively for medium-sized cities and; 2) the existence of "complementary" areas, such as infrastructure development sectors, which help not only in understanding the local dynamics of medium-sized cities, but also allow the marriage between investments in infrastructure and real estate, something already explored in the case of national contractors (see more in RUFINO et al., 2019).

As we have shown, the characteristics of investors, their propensity to risk diversification, their internal expertise in forming their own sectors with a view to investing in regions not explored by this type of investor and, finally, their ability to combine investments and gains in real estate and urban infrastructures, are fundamental elements for financial investors to invest in medium-sized cities. In conjunction with this first layer of the photograph, we next explore the investment criteria that these agents use when investing in commercial properties located in medium-sized cities.

5. What criteria do financial investors use to invest in medium-sized cities?

Before analyzing the criteria mobilized by financial agents when investing in medium-sized cities, it is important to point out that financial investors mobilize investment criteria that go beyond the relationship between risk and return on their investments, as some strands of financialization studies insist. This is because financial actors of different kinds - pension funds, real estate funds, property companies, foreign investors - have complex decision-making processes that ultimately affect the type of real estate investment they make (SANFELICI & MAGNANI, 2022; HENNEBERRY & MOUZAKIS, 2014; FUCHS &

SCHARMANSKI, 2009).

When we analyze the criteria mobilized by this group of investors who "accept the risk" of investing in regions they consider to be "non-priority", we see that these actors include some different criteria from those commonly used when investment is directed towards "core" capitals and regions. The first criterion that differs substantially is the greater concern with the type of tenant, its core activity and its financial health (Sanfelici, 2018; Sanfelici & Magnani 2023), the quality of the tenant is a fundamental factor in the choice of any investment in commercial property.

However, as we observed in our empirical material, when the investment is made in a medium-sized city, the tenant's analysis is even more cautious and detailed due to concerns about vacancy and liquidity. As one interviewee commented, vacancy in "non-core" markets is much more worrying since "Tomorrow a tenant leaves and [then] you have a problem because it will take God knows how long [to] replace [the tenant]" (Real estate asset manager; December, 2021).

This concern is not only reflected in the attempt to establish atypical contacts and the nature of the company (multinationals, retail companies, etc.), but also in a careful observation of the use that this tenant will make of the property in question, i.e. whether the property will be used and whether it will centralize key operations of the tenant company.

Along with the importance of the tenant and their strategy for using the leased property, the commercial property segment is also an essential factor when analyzing the insertion of financial investors in medium-sized cities. As our results show, managers of real estate funds and property companies - the types of financial investors most likely to invest in "non-core" markets - have a moderately less concentrated investment geography in Brazil's large cities. This is due to investment being concentrated in segments such as logistics and shopping centers.

Unlike markets such as the corporate slab market in São Paulo, the investments made by these players in medium-sized cities are the result of their interest in diversifying their investments into segments rather than locations. According to our empirical material, it is possible to hypothesize that, in the case of medium-sized cities, the intentionality of the investment permeates, firstly, the type of segment and, secondly, the city that anchors this investment. In other words, the decision to invest in medium-sized cities does not only involve the criterion of territorial diversification for financial investors. In reality, these investors seek to invest in different commercial segments and then analyze and consider the regions or cities that are suitable and attractive for allocating these segments. It's important to note that placing the selection of location in the background is not in any way to say that the choice of location is something disposable, but that it is something secondary in the decision-making process and that it follows parameters that are different from those mobilized when the investment is made in global metropolises.

The notion of urban network scales is fundamental to understanding how location is ultimately selected. A didactic image we can use to understand this

selection is that of an investor with a map of Brazil in his hands. This investor will be looking for where to invest in a logistics warehouse. He will first select where the country's consumer market is most concentrated. Focusing on the southeast region, this investor will pay more attention to where, within this region, a large part of this market is located. The city of São Paulo will therefore be the focus. Knowing that there is little chance of building a warehouse in the middle of a highly dense city with high land prices, this investor will turn his attention to the cities that surround the consumer center. These are, in the investors' view, the medium-sized cities, the "secondary market". Within this selection, the investor will observe which cities have good access routes to the consumer market. Once they have selected the cities where the highways that will connect the product to be stored with the consumer market pass through, the investor will select a location on a regional scale.

This small illustration of the decision-making process, although simplified, reveals a hypothesis that deserves future work: that the location, when the investment is made in medium-sized cities, is not selected on an intra-urban scale, but on a regional scale that includes what these investors understand as secondary markets and medium-sized cities.

This form of selection, as we have argued here, differs considerably from the choice process made for investments in global metropolises. When an investment in commercial property is made in major metropolises, even the street that the property will be on is worthy of discussion and negotiation. Having an investment in a corporate building on Avenida Faria Lima in São Paulo carries not only the prestige of the name, but also the weight of an evaluation - both in discursive terms and in terms of price evaluations by real estate consultants - that is positive and more favorable than an investment on a street a few kilometers or even a few meters away. In the case of medium-sized cities, intra-urban location is initially less important.

In the case of logistics, the location of the enterprise is selected on the basis of certain criteria. The warehouse invested in or to be built should (1) be located a few meters before a highway toll (to save on trucks coming and going); (2) be located where there are already other warehouses so that gains of scale can be made, involving, for example, the reuse of highway access roads and cameras to monitor activity around the warehouses and highway traffic; (3) be built where there is available land that has already been, or is in the process of being, legalized; (4) ideally be located in a municipality that offers competitive advantages, by granting tax exemptions, for example, and, why not, (5) where the investor already has pre-established networks, either with the local government or with developers who have land banks or even warehouses ready to be invested in. In this scenario, if you find a location that meets some of these criteria, it doesn't matter which avenue the warehouse is on, inside or outside the city.

Emblematic examples found in our empirical material reinforce the difference in the degree of scale (intra-urban and regional) in the selection of investments in medium-sized and global cities. Through a survey of the real estate portfolios of institutional investors³, we often found the locations of

logistics developments recorded by the investors themselves as follows: "Kilometer [number] of the [name of highway]". This inaccurate way of recording the location of the investment in the region of an average city is completely different from the records we found for, for example, investments in corporate slabs on the main avenues of São Paulo, in which even the floor owned by the investor is recorded.

As for shopping centers, another important commercial segment that attracts financial investors in medium-sized cities, the logic of location selection is the same: where there is consumption, there is a shopping center. Thus, for investors, medium-sized cities that have a considerable number of inhabitants and an economic dynamic that includes local consumption are considered to be suitable for investment. The selection of the location of the property, therefore, is also made on a regional scale: "which medium-sized cities would 'support' a shopping center?" Although the investment decision, as we assume, takes a little more care with regard to intra-urban dynamics when compared to investments in the logistics segment, the scalar level from which the analysis and investment decision regarding the location of a shopping center is made is broader than that which occurs in the decision to locate a commercial property in global metropolises.

In this case, the property companies are the investors most responsible for starting the investment anchoring process. Again, it is worth remembering that it is part of these companies' strategy to expand their market, but at the same time stick to their core activities. As such, these companies maintain conservative strategies involving investment in shopping malls, valuing their organizational capabilities. The possibility of increasing the diversification of their investment portfolio, therefore, is through territorial expansion into medium-sized cities.

6. Final considerations

In this article we have tried to present a snapshot of financial investment in medium-sized cities. However, with the clear need for further theoretical and empirical study, some of the observations raised are worth reflecting on at this point. These reflections move towards a point in common with what the literature on financialization processes in medium-sized cities is already working on: large cities and medium-sized cities do not attract and produce the same type of urban financialization. Adding some elements to this analysis, we propose in this text an additional contribution to this trend by suggesting a closer look at the nature of the financial actors and the criteria that these actors mobilize when investing in medium-sized cities.

As we have explained throughout this article, some financial investors, such as property companies and real estate investment funds, are more likely to invest in medium-sized cities. Thus, for different reasons, these two actors can be understood as the main financial agents that can promote structural changes in these cities. These changes can occur both 1) in the way in which these financialized circuits co-exist with, surpass or permeate the traditional and local commercial property financing circuits in these cities; 2) in the urban landscape of medium-sized cities, affected thanks to the insertion of commercial

properties that reproduce the aesthetics and patterns of "global city" properties; 3) in the urban planning and tax legislation of these cities which, in an attempt to present competitive advantages in relation to other cities in the same category, can begin to incorporate legislation that tends to be "pro-market".

In view of the changes brought about by the insertion of these financial actors in medium-sized cities, we stress that recognizing their nature - their propensity to risk, their main characteristics, the ways in which they raise capital for investment, etc. - allows us, as citizens and researchers, to resist and oppose the ways in which this capital is anchored in the cities where we live. Thus, recognizing these differences allows us to better analyze and understand the ways in which some financial capitals irradiate and others don't, and what criteria, calculation metrics, agents and forms they carry in this process of "irradiation" to medium-sized cities.

In addition, analyzing the process of financialization in medium-sized cities means analyzing financial investment in certain real estate segments. Without wishing to generalize and bearing in mind that financial investors continually find different forms and urban spaces in which to anchor their capital, the observations we have made here show that the shopping mall and logistics segments are the ones that most attract financial investment in medium-sized cities. That said, a theoretical, methodological and empirical effort is needed to understand not only the loci of financialization - medium-sized cities and their social, economic and real estate dynamics - but also the financialization of different real estate segments. Studies on financialization still lack not only a more clinical look at medium-sized cities, but also a clearer and more diagnostic differentiation of the financialization processes that affect different real estate segments. Recognizing these differences allows us to understand which dynamics and "what kind of financialization" occurs in each of the real estate segments.

Finally, the notion of geographical scale that we have introduced in this article can be further developed by geographers interested in understanding the expansion of financial investment in medium-sized cities and, more generally, the scalar dimension of the production of urban space (SANFELICI, 2015). The fact that financial agents make their investment decisions in medium-sized cities by looking at the location of a commercial enterprise on a regional scale reveals the need to understand the real estate dynamics - but also the social, economic and political dynamics - of medium-sized cities based on the recognition that investments anchored in these spaces seek interregional connection and differentiation. By connection, we mean that financial investors seek to locate their investments at points in the regional space where there is, for example, access to infrastructure and better connectivity with the main metropolises.

As a differentiation, when various points in the regional space are sufficiently connected to the economic dynamics of the main metropolises, investors select those locations in the regional geographic space that increase their financial gains, i.e. that demonstrate greater competitiveness (lower land prices, better tax incentives, local governments aligned with external investments, etc.). This series of "calculations" involved in investing in medium-

sized cities is far from being similar to the calculations and criteria used by investors to invest in global cities. As we have tried to show, albeit initially, in this article, these differences touch on the scale used to select the location of the development, the real estate segment prioritized and also the nature of the financial investor and their propensity to risk investing in "non-core" markets.

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E-commerce and logistics real estate funds: strategies for capturing real estate rents

Magnani, M. ., & Sanfelici, D. . (2021). O e-commerce e os fundos imobiliários logísticos: estratégias de captura de rendas imobiliárias. *Cadernos Metrópole*, 24(53), 173-198.

Abstract: The volume of funds directed to the commercial real estate market has grown rapidly in recent years with the advent of financialization. In this paper, we examine the process of financialization of the Brazilian logistics sector, arguing that it is related to the actions of real estate investment funds. We tried to show that these financial actors have developed strategies for extracting real estate rents by taking advantage of two concomitant processes: on the one hand, the growing demand from retail companies for logistics space - accelerated by the Covid-19 pandemic - and, on the other, the demand from Brazilian investors for investments considered to be "alternative". We conclude that these players have particular risk and return criteria that result in highly selective investments, both in terms of location, construction characteristics and choice of tenants.

Keywords: Logistics, real estate investment fund; real estate market; e-commerce; financialization

Introduction

The growth in the volume of resources managed by institutional investors, such as pension funds and insurance companies, and by financial intermediaries, such as asset managers, has accelerated over the last few decades, in line with changes in social protection systems and, more broadly, in the pattern of state intervention in the economy (FRENCH et al., 2011; FROUD et al., 2002; CLARK & MONK, 2017). This tendency to concentrate savings in collective investment vehicles has led their managers to seek alternatives to the more traditional channels of investment in assets such as public debt securities, shares and private bonds (DIXON, 2014). In this context, new financial instruments are being created using the securitization of income flows from real assets, including urban objects such as infrastructure and commercial real estate (LIZIERI, 2009; HALBERT & ATTUYER, 2014; WIJBURG & AALBERS, 2017). Despite the variability of strategies and expectations that guide the investment decisions of these actors who look to urban areas as a way of making a return on their capital, their entry into the commercial real estate market has introduced important changes in the way this market works and in the morphologies produced (THEURILLAT et al., 2015; SANFELICI, 2017).

Although the urban studies literature has studied in depth the expansion of so-called financialization in and of different real estate products - the residential sector, infrastructure and corporate and commercial real estate (see KLINK & BARCELLOS, 2017; AALBERS, 2018) - one particular real estate product has drawn less attention from academic research: the logistics sector. In addition, there is still room to investigate how financial instruments backed by different real estate products innovate, both in terms of financial engineering and in their articulations with urban production, adapting to the expectations of large investors and also to the political and institutional conjuncture. In this sense, we argue that the financialization of a specific urban object - the Brazilian logistics real estate park - stems from the convergence of two main forces. On the one hand, it is argued that the global COVID-19 pandemic, by preventing the mobility of people, has strengthened the retail sector in its *e-commerce* modality, driving the growth of the Brazilian logistics-real estate complex. At the same time, we found that, on the supply side, the successive falls in interest rates have contributed to Brazilian investors - whether large institutional investors or individuals - looking for alternative investments that are more profitable, but still less susceptible to the fluctuations of the stock market. Thus, we argue that real estate investment funds (REIFs) - collective investment vehicles responsible for raising funds from dispersed investors to invest them in the real estate market - linked to the logistics sector are consolidating themselves as both inducers of the

expansion of the Brazilian logistics-real estate sector and as an important "exit" for Brazilian investors.

In view of the confluence of these two variables, we set out to investigate real estate investment funds backed exclusively by the logistics sector, seeking to understand how the instrument has contributed to the expansion of the Brazilian logistics-real estate sector in recent years and how the expectations of financial investors influence the morphological characteristics and location of logistics developments. To this end, we used as our methodology the mapping and analysis of 19 logistics real estate investment funds (FII-L) currently on the market; analysis of specialized press materials and international consultancies such as Cushman & Wakefield and Colliers; and semi-structured interviews with asset managers carried out between 2018 and 2020. The article is divided into three complementary sections: in the first, we briefly analyze the growth of the Brazilian logistics sector in recent months, connecting the phenomenon to the COVID-19 health crisis and the growth of the retail sector; in the second, we will review the literature on the subject under investigation and; in the third, we will analyze the FII-L based on the main characteristics of the developments and the territorial pattern of the investments.

The Brazilian retail sector, the COVID-19 pandemic and the growth of real estate investment funds.

The Brazilian retail sector, marked by companies such as Lojas Americanas and Magazine Luiza, has experienced rapid growth in the last year. According to an article in the newspaper Valor Econômico, in 2020 the sector was responsible for 16 initial public offerings of shares¹ (IPO), which generated around R\$ 27.3 billion. In just 5 months, the IPO of these companies on the country's stock exchange was responsible for a financial turnover greater than what was expected for the sector for a decade (MATTOS, 2020). In addition to the new IPOs, Brazilian retail has seen a rapid rise in value since April 2020 (BOAS; LIMA, 2020). By way of example, in the evaluation of investors, Via Varejo, the company responsible for the Casas Bahia and Pontofrio chains and administrator of the Extra *e-commerce*, and Magazine Luiza stood out as the favorite stocks of investors in 2020, even surpassing large companies such as Vale, Itaú Unibanco and Bradesco (GOEKING, 2021).

¹The following companies carried out public offerings in 2020 (among those already completed and in progress): Quero-Quero (building materials); D1000 (pharmacies); Pague Menos (pharmacies); Grupo Soma (fashion retail); Petz (pet products and services); Track&Field (sportswear); Grupo Mateus (food retail); Companhia Sulamericana de Distribuição (food retail); Nissei (pharmacies); Pernambucanas (fashion, bed, table and bath retail); Tok&Stok (furniture, decoration and bed, table and bath retail); Kalunga (office supplies and stationery retail); Havan (department store); Le biscuit (department store); Melliuz (*cashback and coupons* company); Enjoei (marketplace platform).

Despite the intense economic recession that has hit most countries in the context of the COVID-19 pandemic, which has even been called the worst since the Second World War by the World Bank (UN, 2020), the international retail sector has seen considerable growth: it's worth mentioning, for example, that in 2020 Amazon overtook Apple as the company with the highest market value (PEZZOTTI, 2020) and Mercado Livre has seen a 185% increase in value in the American market since the beginning of the pandemic (INFOMONEY, 2021). Closed shops due to security measures, coupled with a reduction in leisure and work activities to contain the spread of the virus², have driven online sales to an unprecedented level. By September 2020, so-called "digital retail" had generated around R\$100 billion on the digital platforms (websites and apps) used by retail chains. This amount is around 78% higher than the previous year (2019). Due to the need to serve this growing contingent of shoppers spread across the national territory, the large international retail company, Amazon, as well as the Brazilian company, Magazine Luiza, have signaled that they are interested in buying the logistics structure currently belonging to Correios. The purchase of the national logistics network would take place after the company's privatization (SIMÃO et al., 2020) and would aim to reduce prices and delivery times in regions further away from the logistics hubs already owned by the companies - these located mainly in the Southeast region of the country (RIZÉRIO, 2020; CUSHMAN & WAKEFIELD, 2020). This movement to expand logistics infrastructure - both storage and transportation - to speed up the process of delivering the products purchased is called the "last *mile*" movement (SILVA, 2021). According to an article in *The Economist* (2018), the world's major retailers, such as AliBaba and Amazon, are investing heavily in the logistics sector to promote a faster and more efficient service for their customers. The companies, according to the article, have been working on two main fronts: 1) mining consumer data to identify consumption patterns and; 2) international transportation of products, by investing in large ships and planes. In 2017, Amazon created its own logistics department and invested around 25 billion dollars (the equivalent of R\$1 trillion). In Brazil, the company inaugurated three new distribution centers in November 2020, located respectively in the cities of Betim (MG), Santa Maria (DF) and Nova Santa Rita (RS) (INFOMONEY, 2020).

The demand for the construction of logistics warehouses has strengthened the development of another value chain: real estate investment funds specializing in logistics assets. Due to the successive falls in the country's interest rate in recent years, Brazilian investors have sought to diversify their investments in the financial market by looking for

² In May 2020, a series of measures to contain the pandemic were initiated by state governments, such as travel bans, suspension of events, concerts, classes, etc. For the measures adopted in each state, see: <https://g1.globo.com/bemestar/coronavirus/noticia/2020/03/15/coronavirus-como-sera-a-segunda-feira-em-cada-estado-apos-medidas-para-conter-a-pandemia.ghtml>.

more profitable assets than those indexed to the CDI³. In this context, real estate funds have emerged as an investment alternative characterized by tax exemption, higher average returns than fixed income securities indexed to the CDI and regular dividend payments. These funds pool financial resources from a group of investors (who become holders of ideal fractions of the vehicle) and invest these resources in a set of financial or real assets. These assets, in the case of FII, are real estate properties of all kinds, such as offices, hospitals, shopping centers and logistics warehouses, or even financial securities backed by real estate transactions, such as Real Estate Receivables Certificates (CRI). Although regulated in Brazil by a law passed in 1993 (Law 8,668 of June 25, 1993), it was from 2009 onwards that real estate funds experienced significant growth. According to Sanfelici (2017), the approval of the tax exemption for investors in real estate investment funds - a process that required articulation and negotiation between different actors (see also SANFELICI & HALBERT (2019)) - largely favored the creation and distribution of new funds for institutional investors and individuals. This tax measure was complemented by Regulation 472 of the Securities and Exchange Commission, approved in 2009, which regulated various aspects relating to the creation, management and governance of real estate funds, creating a more solid regulatory framework for the operation of these investment vehicles.

In the last 10 years, FII have experienced significant growth: the number of registered funds has increased fivefold (from 89 to 462) and their market capitalization has grown from R\$5 billion to almost R\$134 billion (ANBIMA, 2017; UQBAR, 2020) (see figure 1). With regard to the logistics segment, although the sector has yet to overtake the traditional shopping center and office segments, the growth in FII-L issues in 2020 is symptomatic (see figure 2). In this sense, the financial industry is clearly signaling that this market will be promising in the coming years. In the words of one FII manager: "The logistics market continues to be one of the main promises for real estate investments in 2021, both for its risk profile and for its medium and long-term appreciation potential." (DIB, 2021).

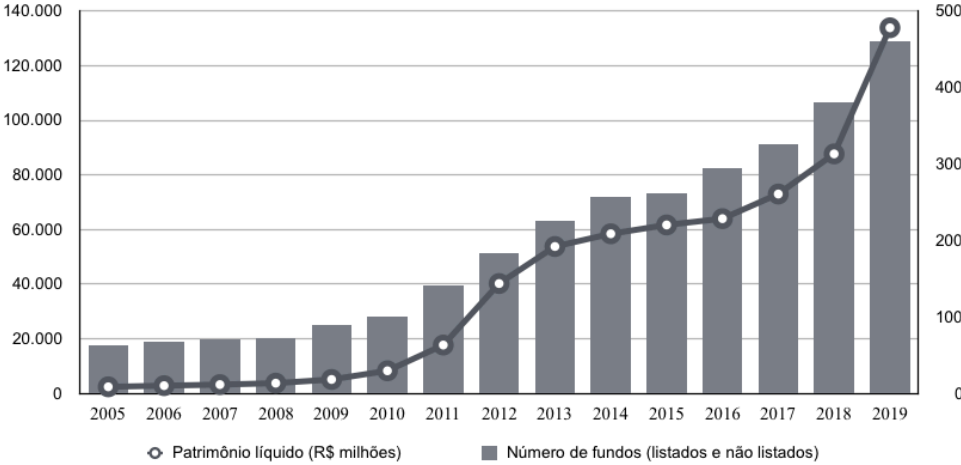
Combining the demand from companies for the development of logistics warehouses with the need to expand the range of investment products available to investors, real estate investment fund managers have doubled their bets on the logistics sector during the pandemic. During the pandemic, the creation of FII specializing in the logistics segment surpassed the creation of FII linked to other real estate segments, such as traditional corporate and office buildings and, according to market experts, was the most "resilient"

³ The CDI (Interbank Deposit Certificate) is the main *benchmark for the* profitability of fixed-income investments. Because it reflects the average interest rate of interbank financial transactions, the so-called "CDI rate" indicates the basic interest rate in the economy, and is therefore one of the main indexes for different fixed-income investments (treasury bonds, real estate credit bills, agribusiness credit bills and others).

investment class in the economic crisis scenario (TAUHATA, 2020; COTIAS, 2020; ZONTA D'AVILLA; 2020).

In this context, FIIs have started an intense movement to develop and acquire logistics warehouses and then sell their shares to a wide range of investors. By way of example, it is worth mentioning the case of Vinci Partners which, through a partnership with a warehouse developer, intends to launch a FII in 2021 to develop around 400,000 m² of gross leasable area (GLA), an investment of R\$1 billion (INVESTIDOR INSTITUCIONAL, 2020b); HSI investimentos launched a logistics FII in December 2020, with an initial portfolio of 429,000 m² of GLA. The five assets are located in the metropolitan regions of the capitals of three states (São Paulo, Paraná and Minas Gerais), less than 35 km from the respective capitals (BERTÃO, 2020); and finally, Global Logistics Properties (GLP), a major developer of warehouses around the world, plans to launch an FII later this year, which will generate R\$3 billion (SAMOR, 2020).

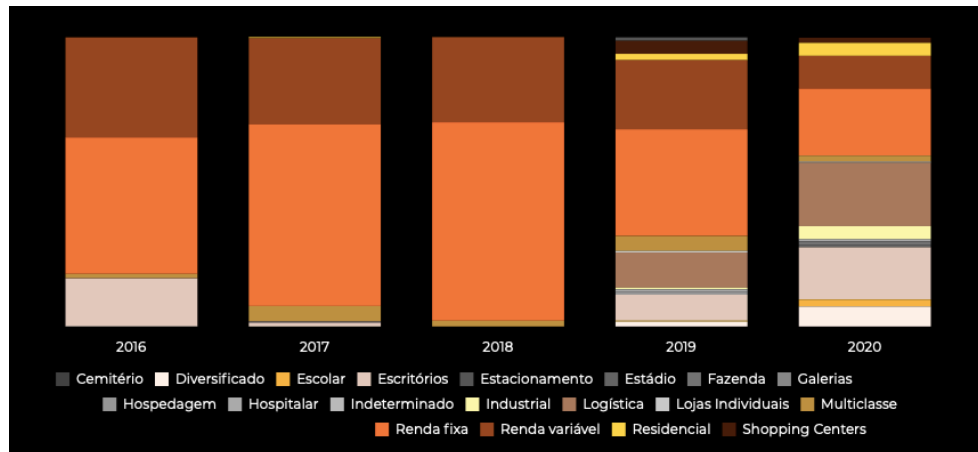
Figure 1: Growth in net assets and number of funds of Real Estate Investment Funds (2005 - 2019)



Source: prepared by the authors based on data from ANBIMA (2005 to 2016) and Uqbar (2017 onwards).

Finally, it should be noted that the Brazilian logistics-real estate complex increased its stock of new logistics parks by about twice as much as that recorded in 2019, an increase of 1.1 million m² (CUSHMAN & WAKEFIELD, 2020). According to a report by real

Figure 2: FII issues by type of real estate segment (2020)



Source: Uqbar 2021

estate consultancy Cushman & Wakefield (2020), 87% of the stock developed in 2020 is located in the Southeast region, with the state of São Paulo standing out, which received 615,500 m² and, in particular, the municipality of Cajamar, which alone received 281,100 m². According to the company and also according to a report by Colliers (2020), another important Brazilian real estate consultancy, most of the logistics developments launched were occupied by retail companies that have seen an increase in demand driven by their online businesses (*e-commerce*). Currently, Brazil's private logistics real estate stock is around 15 million m², of which 9.3 million m² is located in the state of São Paulo, followed by Rio de Janeiro with 2.1 million m².

Logistics real estate as a financial product: a brief review

As pointed out earlier, a series of structural factors were responsible for the expansion of the Brazilian logistics-real estate complex. As we have tried to develop in this work, real estate investment funds have been responsible for uniting the heated demand for logistics real estate - coming mainly from retail groups that have seen their *e-commerce* activities accelerate during the pandemic - with investor demand for new financial products for the savings of Brazilian institutional and individual investors. In order to situate these processes, we will analyze the studies that deal with the expansion of the retail sector and the impact of this expansion on the real estate market, and then analyze the studies that deal with the participation of institutional investors in the commercial real estate market and its impacts on cities.

The development of *e-commerce* is analyzed in the literature as a major influence on the demand for real estate from large retail groups. As Gorczyńska & Kooijman (2015), Dixon & Marston (2002) and Hesse (2004) point out, demand is changing both quantitatively

and qualitatively: there is a decreasing need to establish physical points of sale and an increasing need to expand logistical real estate spaces. Studying the possible implications for the supermarket sector in Ireland with the growing use of online sales channels, Gorczynskia & Kooijman (2015) conclude that new logistics formats, considering order picking systems and home delivery services, will be essential for supermarkets to adapt to the reality of *e-commerce*. The authors indicate that the greater the volume of online sales - as expected in the coming years - the less need there will be for supermarket chains to have physical stores and the greater the need to acquire or expand distribution centers to support these services. Therefore, due to changes in sales strategies, the configuration of real estate demand for these large retail groups will undergo intense changes in the coming years, with a reduction in the need for retail real estate (stores) and the incorporation of logistics real estate, such as distribution centers and *pick-up* platforms⁴.

Dixon & Marston (2002) add, when investigating the UK retail sector, two other complementary implications that touch on the changes that have occurred in retail with impacts on the real estate market. Firstly, the authors point out that the "geocentric" shopping pattern, established between buyers and sellers, is being questioned to the extent that online shoppers no longer need to physically go to the nearest shopping center to their homes, but simply press a button on their computers to buy items. In this way, the authors argue that retailers will no longer need to invest in stores close to shopping centers and better located, facilitating access to these more valued lands for other economic groups linked to other activities, such as bars and restaurants. The second implication is related to the evaluation criteria used by *landlords* to evaluate their tenants as the retail sector adopts *e-commerce* tools. In the authors' view, landlords will not only evaluate sales and the ability to generate rental income, but also the tenant's ability to use online platforms. As we will see below, the expectations of institutional investors are responsible for "shaping" the profile of tenants. Similar results are found in the comparative research between the United Kingdom and the United States carried out by Warzala et al. (2002).

Hesse (2004) analyzes the emergence of a new sector of the real estate market specifically linked to the logistics sector. For the author, the emergence of this sub-market is the result of an accelerated process of change in the logistics sector, in which companies are demanding more and more space not only to store their products, but also to distribute them. In this sense, the logistics real estate product is changing. It is no longer necessary to produce storage warehouses - which could be in more distant regions (also called "*gateways*"), since there is no need to distribute a large quantity of goods on a regular basis - but it is necessary to expand distribution centers - which are located in areas that

⁴ Pick-up platforms are those to which the buyer drives, usually in their car, and collects the goods purchased online. The advantage of this center is its small size and the possibility of having a small number of employees to maintain it.

will need a better infrastructure network to quickly transport products to large centers. The author concludes that this change in the type of construction of logistics properties has attracted a wide variety of institutional investors, including *investment trusts*, interested in the high profitability of these logistics investments. Finally, Hesse (2004) points out that the entry of these investors has introduced significant changes in the way logistics real estate products are developed and managed: before the participation of these groups of investors and developers, logistics property contracts provided for the purchase of the development (50 to 70% of cases), whereas in the current development model, there is an increase in rental and leasing contracts (on average 3 to 5 years in duration); previously, the companies responsible for construction were mostly national, now they are mostly international companies contracted by investment funds; previously, the development of properties was less speculative and with smaller gains in scale, but with the entry of financial investors, gains in scale in the development of projects have been privileged, giving rise to even larger logistics projects. Finally, the author concludes that the entry of financial investors into the logistics sector has a direct impact on land use planning and infrastructure provision, since the locations of large distribution centers will be chosen and negotiated between investors and local political agents. These conclusions are largely reinforced in the study by Raimbault (2014), which examines the transformations engendered by the financialization of logistics real estate in France.

These considerations about the entry of financial investors into the logistics real estate sector are in line with extensive literature that has sought to discern the repercussions of the greater presence of financial institutions in the design, production and management of commercial real estate - a category that includes, in addition to logistics real estate, assets such as offices, shopping centers, bank branches, etc. Although these studies have rarely dealt exclusively with logistics real estate funds, some of their conclusions are relevant for reflecting on the significance of the transformation of logistics real estate into a financial product. Three of the conclusions commonly highlighted in the literature on the financialization of the commercial real estate market are of interest for our purposes here. The first alludes to the process of "outsourcing" the real estate assets of large economic groups, including retail groups, to the financial industry. The second refers to the selectivity of financial investors in terms of the choice of real estate assets in which they invest. The third refers to the ability of these investors to shape, through their expectations of risk and profitability, the specific attributes of the properties and projects in which they invest, with important implications for cities.

The first reading of the financialization literature points to the direct interference of shareholders in the governance model of industrial companies that went public on the stock exchanges. This interference, in Halbert's view (2009; 2013), ended up favoring and encouraging the idea that, in order to achieve greater profitability, the company should prioritize its *core business* - for example, in the case of supermarkets, the

sale of products to the end consumer - to the detriment of other secondary activities. In this sense, the management of the real estate assets of these groups has been delegated to the financial industry, which, in the rationale of the shareholders, has better expertise in managing real estate. The economic groups have thus proceeded to "externalize" their real estate assets, often using the *sale and leaseback* mechanism. In this process, the company that owns a property (be it an office, a bank branch, a logistics warehouse, etc.) sells it to a financial investor (*sale*) and rents the space back (*leaseback*). Thus, a previously illiquid asset - the property - becomes tradable and the capital from this sale can be reused in other investments considered strategic to the company's core business. Finally, this movement of "disinterest" on the part of traditional owners in managing their properties ended up favoring, in Halbert's view (2013), the construction of an investment industry whose objective is to negotiate urban assets between financial investors.

In the second group, there are many studies that have focused on the office real estate market in different countries and the role of financial investors in this market. The conclusions of these studies point to the strong selectivity of the investments made by financial investors both in terms of the type of assets selected for the portfolio and the location of these assets. Henneberry & Mouzakis (2014) analyze the office market in the United Kingdom, noting that the conditions in which this market operates run counter to what would be expected according to conventional economic theory, based on the neoclassical paradigm. The authors observe that, despite the fact that the rate of return on investments in the interior of the country is higher than that observed in London, financial investors continue to favor the latter city in their investment choices - a city which is also the base from which most of them operate. The authors use the contributions of behavioral economics to explain this apparent paradox: according to the research, investors would be under the effect of a heuristic bias of "familiarity", in which investment options that are close (socially and territorially) are judged to be more promising, even when the data does not corroborate this conclusion (on the case of the United Kingdom, see also Lizieri, 2009 and Byrne et al., 2013). Halbert (2010) draws similar conclusions about the office market in France, diagnosing a "metropolitan bias" (especially in favor of Paris) in investments made by financial investors. The author points out that this selectivity is explained, among other factors, by the search for greater liquidity, which is highly prized by the financial markets because it provides mobility for the resources invested. Halbert (2010) also adds that the desire to reduce the operational costs of portfolio management favors the concentration of the real estate portfolio in a few larger-scale properties (entire corporate buildings), since spreading out a larger real estate portfolio would lead to an increase in contractual management costs with tenants. Hebb & Sharma (2014), on the other hand, investigate the performance of pension funds in California in urban revitalization projects and conclude that the projects in which the funds invest "tend to be filtered from a range of urban locations [...] from a list of urban

locations and selected on the basis of those considered least risky (both financially and politically) for development" (HEBB & SHARMA, 2014, p. 492).

In the Brazilian case, some studies also point to the presence of similar investment logics. Sanfelici (2018) analyzes real estate investment funds in Brazil in all investment segments and also observes a strong territorial concentration, in this case in the capital of São Paulo and, to a lesser extent, in the capital of Rio de Janeiro, as well as a preference for larger assets, such as corporate slabs. The explanation for this territorial concentration is based on the financial logic of cost control, stability of expected income flows, greater resale liquidity and stability of property rental contracts. From an urban point of view, this selectivity implies the exclusion of activities considered less profitable for financial investors (see also SANFELICI & HALBERT, 2019). This study is complemented by the article by Santoro & Rolnik (2017), which uses the concept of a real estate-financial complex to investigate the entry of foreign investors into the São Paulo real estate market. The authors map and analyze the real estate investment patterns of both global developers and real estate investment funds. In the case of the latter, the study verifies the existence of territorial patterns that vary according to the assets. In the case of corporate building assets, the concentration in and around the Avenida Faria Lima region is notable, confirming the trend of expansion of the financial center of the city of São Paulo already observed in Fix (2007). The study also highlights investments in logistics assets, noting their strong concentration along the Rodoanel (SP) and a correlation between the construction of new logistics projects and the displacement of low-income residents in the São Paulo metropolitan region.

Some studies have taken a closer look at the urban repercussions of the investments made by these actors. The research by Theurillat & Crevoisier (2013) and Guironnet *et al.* (2016), for example, shows how the investment expectations of the financial community shape the urban qualities of urban renewal projects in Switzerland and France respectively. In the French case, of an urban renewal project in the municipality of Saint-Ouen, in the greater Paris area, these expectations largely conditioned the typology of the commercial properties, including aspects such as minimum slab size, construction specifications in line with international standards, location in relation to public transport, etc., all seeking to adapt the developments built to the needs of large (*blue-chip*) occupying companies, preferred by investment funds. In the Swiss case, Theurillat & Crevoisier (2013) highlight how the presence of financial investors changes the negotiation process for urban projects. The authors emphasize the need for local actors to work to "anchor" financial capital in the territory, which involves negotiations with actors with different expectations and rationalities. Aveline-Dubach (2016), in turn, analyzes the management models of real estate investment *trusts* (REITs) in Hong Kong - which are similar to Brazilian real estate funds. In line with the research already reviewed, the author observes that REITs tend to concentrate their investments in

a small number of locations, mainly financial centers or central areas. Beyond this spatial dynamic, however, the author found that, in their real estate stock management practices, the funds often employ aggressive rent increase strategies that involve renovating old properties to attract a new tenant profile and reducing lease terms in order to further monetize the assets they hold in their portfolios. This selection of tenants with specific characteristics, as we saw earlier, is also observable as a trend in the logistics sector and involves, as shown by Dixon & Marston (2002), the tenant's willingness to use online *e-commerce* platforms.

In summary, the existing literature on the financialization of the commercial real estate market points to important transformations in the logic that governs investment decisions and the management of real estate stock, resulting in very selective investment patterns, both from the point of view of location and the construction profile of the properties. It must be recognized, however, that each of the real estate segments encompassed under the category of "commercial real estate" raises different questions regarding the connection (and possibly tension) between the expectations of profitability expressed by financial investors and the transformations in urban land use that must be carried out in order to generate the income flows necessary to increase the value of these capitals. In view of the need to better understand these specificities, we turned our attention to the participation of Brazilian real estate funds in the logistics segment.

Logistics real estate investment funds: characterization and analysis

In this section we look specifically at logistics real estate investment funds based on their main characteristics: their date of creation, number of quotas and quota holders, aggregate value of the instrument, vacancy of the FII, type of management (active or passive⁵). We also focused on the developments managed by these instruments, analyzing: the year the property was built, its location, the type of development (detached warehouse, A+ warehouse, etc.), the main tenants, the average duration of the contracts, the total GLA, the developer of the development, etc. Other architectural and operational characteristics of the developments were also analyzed separately, such as whether there is a 24-hour security system, the number of docks available, etc. This data set was obtained by analyzing 19 FII-Ls and resulted in 101 logistics properties⁶. The sample was

⁵ Active management is where the FII manager periodically analyzes the formation of its asset portfolio in order to modify it, either by adding new properties or selling properties already acquired that are not in line with the fund's financial goal and objectives. In passive management, on the other hand, the manager takes a more passive stance with regard to the portfolio, seeking not to sell or acquire new properties in the long term. In this case, the cost of managing the instrument is reduced as there is no need for constant monitoring.

⁶ It is important to note that, within this universe, there is the expansion of logistics warehouses. Expansions are accounted for as one property/development, as they are treated in this way in the reports and data used.

selected based on the size of the assets managed by the investment vehicle manager. We selected the 15 largest managers⁷ of FII's, which together account for around 70% of the total invested by all the managers in the market (around R\$145.5 billion), a value of approximately R\$103 billion (ANBIMA, 2020). As a methodology, we carried out a documentary analysis of FII-L, using mainly aggregated information made available on websites and channels aimed especially at the investing public, such as Clube FII⁸, as well as the quarterly and annual reports of FII's and publications of relevant facts made available by the CVM (Securities and Exchange Commission). In addition, we analyzed articles from newspapers, such as *Valor Econômico*, and media outlets specializing in the financial sector, such as *InfoMoney*. We also analyzed materials from companies and associations specializing in investment and aimed specifically at FII investors. As part of this strategy, we subscribed to newsletters and followed news channels and *live streams* open to the public from the following institutions: real estate consultancies Cushman & Wakefield and Colliers; Siila Brasil, a company specializing in disseminating and providing financial market information; the GRI Club, a club specializing in international real estate market analysis; the FII Club, among others. Finally, as a complementary source, we used semi-structured interviews carried out between 2018 and 2020 with real estate investment fund managers, real estate consultants, large institutional investors interested in FII's, such as pension funds, and companies competing in the sector, such as *property companies*⁹.

The analysis of the selected FII-Ls showed that these 19 FII's alone have a total GLA of 4,566,387 m², of which more than half is concentrated in the state of São Paulo (2,575,065 m²), followed by the state of Rio de Janeiro, with 510,603 m² of GLA. This represents around 30% of the total private logistics park in Brazil, 28% of the total GLA in São Paulo and 24% of the total in the state of Rio de Janeiro (CUSHMAN & WAKEFIELD, 2020). This concentration of Brazil's private logistics park in the hands of FII's has gained momentum recently, as a result of the growth of the retail sector and the constant falls in interest rates, given that 10 of the 19 FII-Ls have been created since 2018. This recent concentration of the Brazilian logistics network in the hands of real estate investment funds signals the importance of understanding the role of this agent in the current development of the Brazilian logistics sector, as well as discerning the socio-spatial impacts resulting from this involvement of the financial sector with the promotion of logistics infrastructures.

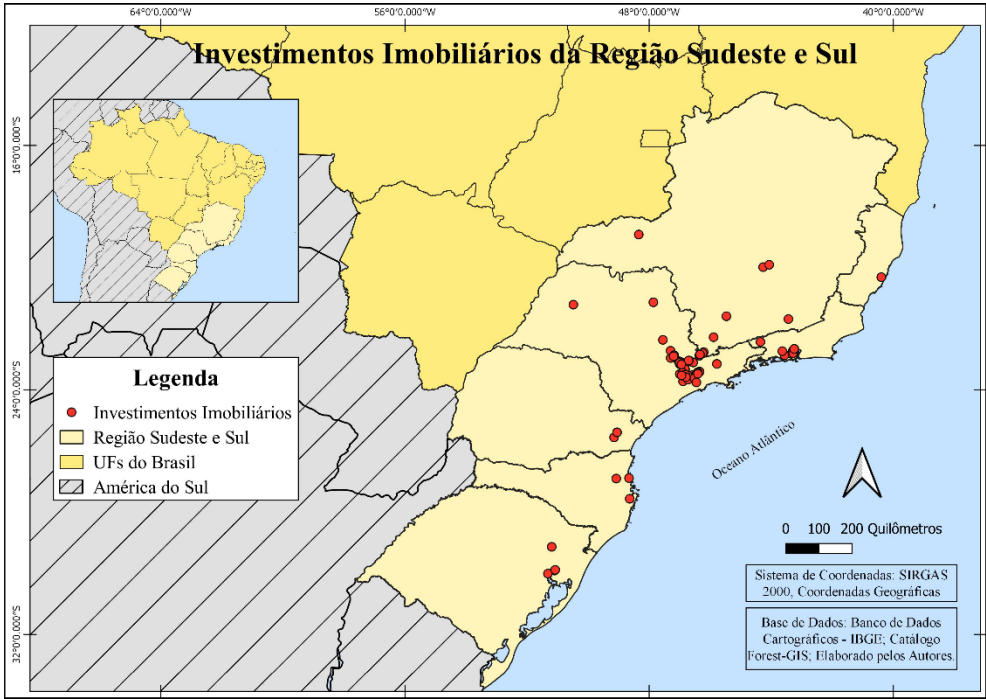
⁷ BTG Pactual; Kinea Investimento LTDA; Rio Bravo Investimentos LTDA; XP Asset Management; Credit Suisse; Votorantim Asset; BRL DTVM; Hedge Investments; BRPP Gestão de Produtos Estruturados; Oliveira Trust DTVM; Modal; Vinci Partners; Ourinvest; HSI Hemisfério Sul Investimentos S.A.; RBR Gestão de Recursos. This list of managers can issue both listed and unlisted FII's. The net assets invested in the FII's segment class can therefore include both types of FII's.

⁸ <https://www.clubefii.com.br>

⁹ Companies listed on the stock exchange that operate in the real estatesector. This group includes large companies such as the Iguatemi group, Multiplan and Cyrella Properties.

A first point that needs to be analyzed in detail concerns the investment preferences of this class of financial investors. Our analysis showed that Brazilian FII-Ls have a significant preference for new warehouses - 50 of the 101 properties in the portfolio of the funds analyzed were built after 2010, and 20 in the 2000s - and located in the southeast (81 developments), south of the country (10 developments) and northeast (2 developments)¹⁰ (see Figure 3). A high concentration is seen in the state of São Paulo (49 warehouses), in cities such as Cajamar (7 warehouses), Jundiaí (5 warehouses) and São Paulo (5 warehouses). Still with regard to the investment preferences of this group of investors, we found that 37 logistics developments are in the "isolated warehouse" segment - usually without 24-hour security, fire *sprinkler* systems and generators - and 29 are classified as A or A+ warehouses, with architectural and operating features that guarantee greater security for the tenant, such as 24-hour security and fire *sprinkler* systems.

Figure 3 - Logistics real estate stock controlled by real estate investment funds (FII) in the Southeast and South regions



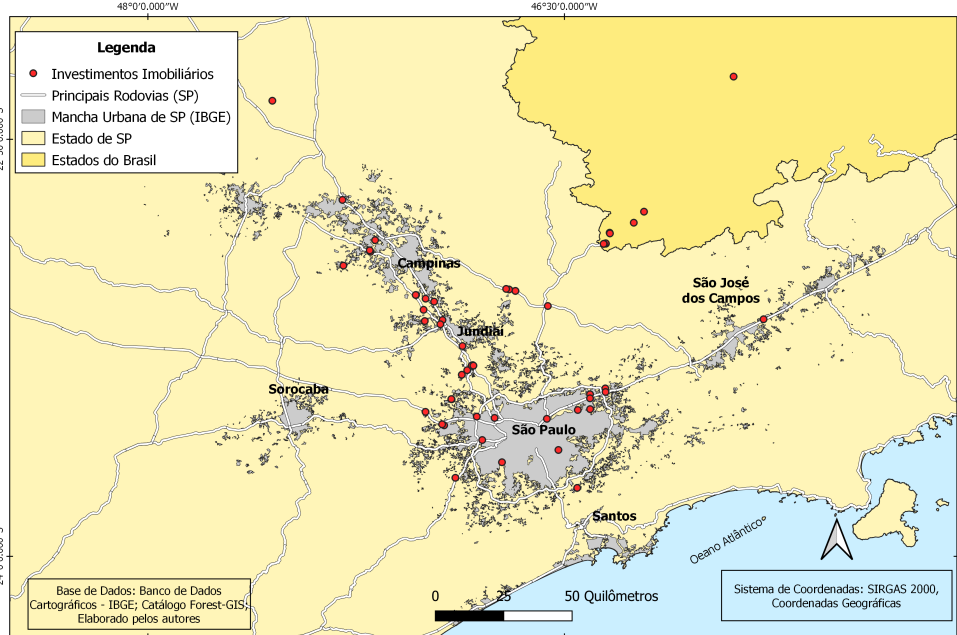
Source: data compiled by the authors from FII-L reports and information available from Clube FIIs.

It's important to note that investment preferences, in terms of location and in favor of two different segments of warehouses, reveal important patterns that have a significant impact on the way the urban built environment is produced. With regard to the spatial

¹⁰ We were unable to obtain information on the location of only 8 developments.

distribution of developments, the location in the Southeast region, especially concentrated in the state of São Paulo, is symptomatic. According to interviewees, the concentration of FII in the state of São Paulo is explained by its demographic and economic characteristics, which allow for good predictability of financial results, linked, as we shall see, to the profile and permanence of tenants who seek to centralize their activities in the country's main economy. These demographic and economic characteristics include: 1) the density and quality of the road infrastructure network, which facilitates the movement of stored products to the end consumer; and 2) the proximity of the main consumer markets. The strategic position of FII-L assets along the main highways and road junctions linking the interior of the state of São Paulo with the capital of São Paulo, as well as the latter with Rio de Janeiro and Belo Horizonte (see Figure 4). This area of more than 30 million inhabitants, which includes the metropolitan regions of São Paulo, Campinas and Baixada Santista, as well as major urban agglomerations such as Sorocaba and São José dos Campos, is characterized by a very high demand for warehouses and has therefore aroused the interest of developers and, in a second stage, real estate funds as end investors in search of urban rental flows.

Figure 4 - Logistics real estate stock controlled by real estate funds in the São Paulo macro-metropolis



Source: data compiled by the authors from FII-L reports and information available from Clube FIIs.

With regard to the characteristics of the developments, two main types of warehouses managed by FII-L were highlighted above: the so-called "isolated warehouse"

and warehouses with a high standard of construction, classified as A+ and A. The interest in owning isolated warehouses in the portfolio can be explained by the ease - and therefore low cost - of managing this type of warehouse, since the activities linked to the maintenance and daily management of the property are the responsibility of the tenant or the outsourced company they hire. On the other hand, investment in A and A+ warehouses signals FII investors' preference for high-end real estate objects, which in turn generate a high occupancy rate and therefore stable cash flow for end investors (SANFELICI & HALBERT, 2019). This mix between the two types of warehouses that make up the FII-L portfolio clearly demonstrates the FIIs' strategy of distributing dividends regularly, thus ensuring the permanence of individual shareholders (80% of total investors; UQBAR, 2020) who seek in the instrument a security typical of conservative fixed-income investments (TAUHATA, 2019; COTIAS, 2019). In the case of isolated warehouses, investors' choice is still largely determined by the scarcity of higher quality assets on the market, a gap that has gradually been filled with the development of more sophisticated logistics condominiums¹¹ (QUINTÃO, 2021). In the case of warehouses classified as high-end, the choice made by investors reflects the desire of real estate fund managers for assets that can attract tenants considered to be more stable, such as large national and multinational companies that are open to signing atypical long-term leases (see below). This passive management strategy, i.e. one that does not foresee major development, maintenance and expansion risks, as one of the interviewees for this article points out, marks the difference between FIIs and other investors operating in the commercial real estate market, such as *property companies* - which are more inclined to take development risks.

As we pointed out, the "quality" of the tenant is a fundamental factor in guaranteeing the stabilization of the quota at a high level and, therefore, guaranteeing attractive profitability for the FIIs. To this end, we analyzed the profile of the three largest tenants of each of the properties in the real estate funds' portfolios, based on the tenant company's line of business and the average duration of the contracts signed. Table 1, which shows the tenant companies segmented by industry¹², confirms, to a large extent, that FIIs seek to select companies with stable cash flow and a good credit *rating*, guaranteeing the owners of these assets a predictable and high cash flow. From a universe of 303 tenants and contracts analyzed¹³, the sector that concentrates the most contracts is the retail sector (44 rental contracts), with companies such as Magazine Luiza and Via Varejo as tenants, followed by the automobile and automotive parts sector (38 contracts),

¹¹ This migration of tenants to more sophisticated warehouses is known in the financial market as "flight to *quality*".

¹² The area in which the companies operate was selected by the authors on the basis of their core business.

¹³ It was not possible to obtain information on all the tenants and the start and end dates of the contracts. The value of the contracts is also not available.

with companies such as Fiat, Renault and Mercedes Benz. The average duration of the contracts is 3,691 days, equivalent to 10 years, and most of the developments have only one tenant or between 10 and 30 tenants, showing that when there is a need for exclusivity, the rental pattern is unitary and, when there isn't, the warehouses usually house a large number of active companies. The analysis showed that when there is a contract with just one company, the tenants are from the automotive and automotive parts sector, which is related to the type of product produced:

Table 1: Tenant companies of logistics Real Estate Investment Funds (2021)

Industry and rental company	Number of contracts
Sporting goods	24
Centaur	10
Netshoes	14
Drinks	11
AMBEV	1
SPAL	10
Electronics and IT	22
Foxconn	14
IBM	8
Building Materials	15
Leroy Merlin	15
Metalworking	1
Brinox Metalúrgica	1
Petrochemical	4
Braskem	4
Medical and hospital products	18
Cremer S.A.	18
Vehicles and parts	38
Fiat Chrysler	8
Renault Nissan Brazil	1
Volkswagen Man	8
Nakata automotiva S.A.	18
Mercedes Benz Brazil	3
Food	28

Table 1: Tenant companies of logistics Real Estate Investment Funds (2021)

BRF S.A.	18
Natural One	10
Retail	44
Via Retail	15
Pão de Açúcar Group (GPA)	15
Magazine Logistics Group	14
Paper and Packaging	20
Brasilata	10
Rigesa Westrock	10
Solar Energy	1
Renovigi	1
Chemistry and Petrochemistry	3
Braskem	3
No information/ miscellaneous	73
TOTAL	303

Source: Relevant facts (CVM) and Clube FII's

Our results allow us to draw some conclusions about the conversion of logistics real estate into a financial product and its territorial implications. A first point to note is that this phenomenon is the result of the convergence of at least four factors, which have gained momentum over the last decade and accelerated in recent years: 1) long-term transformations in the area of information technology, coupled with the Covid-19 pandemic as a catalyst for *e-commerce*, have reinforced the demand from companies in different segments for logistics spaces at strategic points in the territory, in order to shorten product delivery times and thus speed up capital turnover; 2) the desire for greater contractual flexibility on the part of companies, given the uncertainties and volatility of the economic scenario, has favored the option of leasing, rather than buying, logistics warehouses, creating an investment market for these real estate assets; 3) the systematic fall in the basic interest rate since 2017 has heated up demand from individual and institutional investors for new and more profitable financial products as an alternative to public debt securities, whose profitability has been drastically reduced; and finally, 4) the maturing of a Brazilian financial industry which, through the use of information technologies and regulatory developments, has been able to create and distribute new

investment products to a range of small and medium-sized investors who previously had few options for investing their resources.

From the point of view of the urban-territorial transformations induced by the greater prominence of sophisticated financial investors, such as real estate funds, we can see that their investment choices are directed towards assets that provide the fund with a stable cash flow and, consequently, a regular distribution of dividends to shareholders. In terms of property characteristics, this translates into a restricted universe of high-end logistics warehouses, located in the most dynamic regions of Brazil and whose tenants are predominantly large companies, especially retailers. In this sense, the financial industry has done little to pulverize the capital it manages and invests beyond Brazil's most developed regions, nor has it sought to diversify the profile of the assets invested - even though the mobility and fluidity of capital in the territory is often claimed as one of the advantages to the economy provided by well-developed financial markets. In addition, investors' preference for a more sophisticated profile of warehouses and, consequently, developers' focus on building this type of property, restricts leasing opportunities for smaller companies and non-oligopolized sectors of the economy, which are unable to afford the high cost of leasing. This preference is also found in the case of FII's focused on the corporate slab segment, as shown in the previous analyses by Sanfelici, 2018 and Sanfelici & Halbert, 2019.

The urban objects of financialization: final notes

The brief analysis undertaken here on logistics real estate funds has highlighted the complementarity and synergy between two dynamics of economic restructuring. On the one hand, the profound changes taking place in the economy have strengthened and made warehousing and, above all, distribution logistics activities more strategic for companies in various economic sectors. In fact, Coe et al. (2008) argue that, with the complexity and geographical extent of global production networks, and the need to coordinate and integrate the different operations in the value chain, logistics activities have become central to business strategies. We argue that the Covid-19 pandemic, by strengthening existing trends such as digital commerce, has accelerated the transition to a more flexible logistics model, in which companies reconfigure their deployments in the territory in reaction to changes in market trends. What's more, the pandemic has sparked a race for logistics space, prompting a rapid increase in announcements of new logistics projects to meet this demand.

On the other hand, financial investors, with a complex infrastructure for the creation and distribution of new real estate-financial products that matured during the 2010s (SANFELICI & HALBERT, 2019), have been very effective in taking advantage of the circumstances to extract real estate rents from the ownership of strategic assets, such as

logistics assets. With the fall in interest rates, the country's main asset managers raised a substantial volume of funds in 2019 and 2020, which was directed towards the acquisition of other categories of commercial real estate, capable of generating real estate rents linked to the operation of a value chain other than those that support the occupation of corporate offices, commonly used as backing in financial instruments. This search for income extraction, not in vain, is quite selective, as we have seen, since the choice of real estate assets meets particular risk and return criteria agreed by the financial industry.

The quest to expand the logistics network, coupled with the high concentration of investment by the financial industry in this specific asset - around 30% of Brazil's private logistics network - also has repercussions in terms of a symptomatic change in the ownership structure of this real estate product. The high concentration of FII-L investment reverberates inequalities throughout its design and operating chain: from the final consumer of the goods - due to the uneven distribution of logistics warehouses throughout Brazil - to the occupying companies - due to the highly selective tenant profile selected by the FII-Ls. The selective criteria for investment in logistics also go beyond the borders of the sector, strongly affecting the economic and territorial dynamics of the cities that host these investments. A case in point is the municipality of Cajamar (SP), whose economic activity - including the provision of jobs and the development of middle activities - is highly dependent on the region's logistics activity. This case shows how the investments made by institutional investors at a given time shape the economic and territorial structure of cities, thus reinforcing already consolidated "competencies" and locational advantages (in a *path dependence* trajectory) and propagating socio-spatial inequalities.

More analysis, however, needs to be done to understand how the rapid transformations in logistics activity - the loss of importance of warehousing activities in favour of distribution activities, the rationalization of inventory management to speed up the time it takes to handle goods, the development of *e-commerce*, the growth of the retail sector and its oligopolization, etc. - open up opportunities for the financial industry to capture real estate rents and, conversely, how these financial investment practices, and the conceptions of risk and return that underlie them, affect the quality and location of the logistics real estate stock produced and have repercussions on land use planning. In this sense, it is necessary to pay attention to the fact that financialization takes on different forms depending on the real estate segment being analyzed. Thus, a more detailed analysis of the forces that condition the demand for and supply of real estate in a given segment is a fundamental condition for understanding the income capture strategies of financial investors when they direct resources to real estate. We also point out the need for comparative case studies that seek to understand the financialization of logistics real estate more closely from local contexts. Finally, as the development of the logistics network depends heavily on the infrastructure network available around the warehouses to enable the rapid flow of stored products, future studies should assess: 1) the power

exerted by real estate investment funds in articulating the provision of infrastructure assets and also the articulation involving local actors to attract and develop these logistics ventures and; 2) the role of the state in stimulating the development of certain infrastructure and logistics projects and private participation in these investments and how this private provision of infrastructure favors the appreciation (and concentration) of logistics and non-logistics real estate assets in certain regions of the country.

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