Published in Urban Studies, 1-20, 2014
which should be used for any reference to this work

The real estate markets: Players, institutions and territories

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Abstract
Revealing the parties, the processes and the institutions and, consequently, both the diversity and contingency of the real estate markets, the existing increasing literature emphasises the contemporary numerous links and interdependencies between real estate, land value, planning and town planning policy and even the financial system. This paper is an attempt to understand all the real estate markets, from the most peripheral ones, where the urban rent is the lowest, to the most dense city centres. To gain a better understanding of the real estate market, a process of firstly deconstruction and then reconstruction is used. The process of deconstruction involves identifying various market trends according to property type (principally residential buildings), players and institutions, territorial situations and temporalities based on research conducted in Switzerland. We then developed a meta-synthesis inspired by Fernand Braudel whose works put as much emphasis on day-to-day economic activity as on long-term activity, and on local as well as global issues.

Keywords
Braudel, institutions, real estate, Switzerland, territories

This article springs from dissatisfaction. In our extensive research into the real estate market, we were struck by the disparity between our own observations and the literature. In our fieldwork we met a tremendously diverse range of situations. Being both the expression of private individuals' own requirements and both representing a

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considerable amount of money overall, what is there in common between buildings in a rural area and in a major city centre? Theoretically speaking, however, real estate has been the subject of numerous studies since the 1990s which have attempted to transcend the neomarginalist (Wheaton, 1999) and Marxist (Harvey, 1978, 1985) traditions. The interdependent nature of relations between real estate, the financial markets, town planning and even urban policy is now increasingly being examined (Aveline-Dubach, 2008; David and Halbert, 2013b; Fainstein, 2001, 2008; Theurillat, 2011a, 2011b). Nevertheless, scholars have primarily been focused on major cities, as if they were separated from other areas. This paper is an attempt to understand all the real estate markets, from the most peripheral ones, where the urban rent is the lowest, to the most dense city centres.

The aim of this article is to gain a better understanding of the real estate market through a process first of deconstruction and then reconstruction. The process of deconstruction involves identifying various market trends according to property type (principally residential buildings), players and institutions, territorial situations and temporalities based on research conducted in Switzerland. We then developed a meta-synthesis inspired by Fernand Braudel (1985) whose works put as much emphasis on day-to-day economic activity as on long-term activity, and on local as well as global issues.

Braudel defines three ‘stages’ of economic life. First, the *self-production* or *self-consumption* stage, which has generally prevailed throughout history, characterises situations in which household activities are shaped by needs or aspirations, by the *use value* of the goods they produce. Here, there is no real market as monetary exchanges remain few and there is no distinction between producers and consumers. Everyone produces for themselves or through *reciprocal* relationships within local communities. In the property field, we primarily see *self-provision* or even *self-construction* activities.

The second stage, the *market* is characterised by *exchange* and *money* and by a distinction between *producers* and *consumers*. The actions of the former are no longer driven by their own needs but by objects and services with a market value (*exchange value*). Money is the central institution which allows the technical and social division of labour (Aglietta and Orléan, 1982). In real estate, this stage characterises the emergence of professional actors, especially of the *property developer* who calculates the difference between the monetary cost of production and the market price in order to achieve a profit margin. Such property developers are mainly focused on the local and regional market.

Finally, in the third stage, that of *capitalism*, the parties involved are no longer motivated by notions of use or exchange but are looking for a return on capital investment, i.e. a profit. Capital means players centralising powers and means. The driving force is not so much the market as the *organisation*. In contrast to the second stage, in which prices are imposed on producers and consumers, here the parties involved have a certain amount of power (individually or collectively) to influence prices and the institutional framework of their activities. In real estate, this stage should, we believe, be divided in two. Indeed, some parties are involved in producing ‘real’ building stock. Here, professional actors such as property developers have reached a rather large size and belong to development and construction groups having a national or even an international scope of investment. They tend to increasingly develop urban projects for institutional investors which have a financial strategy that aims to make a profit not only from returns on real estate, but also on capital gains derived from stock-market fluctuations.

Following Braudel, if these stages probably did appear one after the other during ancient history, they should today be more considered as three interacting 'levels' or 'storeys' of economic life: the third one, capitalism, can only develop where and when a strong market economy has already developed. Therefore, this approach is both dynamic and synchronic.

A territorialist and institutionalist approach

Braudel and the literature on real estate as a conceptual framework

The territorialist and institutionalist approach (Crevoisier, 2011) which we are proposing consists of showing the various forms of the real estate market in connection with the modes of finance whilst taking account of the technical systems and parties involved as well as their institutional and territorial contexts. It draws on realist and socioconstructivist approaches (Lawson, 1997; Sayer, 1992) to contemporary real estate markets which we re-examine in the light of the stages defined by Braudel.

In order to get beyond the abstract and generalising approaches that, when following the neoclassical model, result in econometric studies on optimal investment portfolio structures and following the Marxist model[1] end up suppressing the role of the players entirely, from the 1990s onwards various authors have endeavoured to prise open the real estate market black box. Some of them immediately emphasised the players, institutions and processes at work in real estate market operations, whether this be from an institutionalist perspective (Ball, 1998; Guy and Henneberry, 2000; Healey, 1991, 1992, 1999; Keogh and D'Arcy, 1999) or a Marxist perspective (Beauregard, 1994; Charney, 2001; Fainstein, 1994; Haila, 1991). From the year 2000 onwards, writing on the real estate markets started to view urban production as part of the neoliberal institutional system (Fainstein, 2008; Swyngedouw et al., 2002). Real estate, and more specifically the transformation of the urban landscape through major projects, seems to be a key area of interest within one of the dominant literatures of urban studies, the so-called 'actually existing neoliberalism' (Brenner and Theodore, 2002). Similarly, a growing number of writers are examining the interdependent connections between real estate and finance, taking account of a wide range of territorial situations from an institutionalist perspective (Aveline-Dubach, 2008; Theurillat, 2011a, 20011b; Theurillat and Crevoisier, 2012, 2013; Theurillat et al., 2010) or a socio-economic perspective (David and Halbert, 2013; Torrance, 2009).

These works underline the need to deal with the issue of built environment production in the light of the links between land ownership, finance or even public policy, and the need to stop putting real estate 'under a bell jar in order to examine it more closely' (Aveline-Dubach, 2008: 13). Interpreting and extending Braudel's vision of the stages of economic production, we put these connections into perspective below. This approach clarifies the territorial situations in which residential property is produced, from rural areas to the heart of major cities.[2]

Methods and approaches

The three ideal/typical forms (stages) of the construction market (Table 1) have been drawn up based on existing literature and three studies conducted in Switzerland.

The first covers relationships between financial capital and real estate markets through three major urban projects recently bought up by financial institutions (investment funds and pension funds) and based in

Table 1. The three stages of the real estate markets.

Characteristics	Real estate systems			
	1st stage: Self-provision	2nd stage: Market	3rd stage: Capitalism	
			Real	Financialised
Parties involved	Households	Property developers	Institutional investors	Portfolio managers
Knowledge of the markets	Tacit, based on local networks	Tacit, based on recent success and on interpersonal relations	Codified and quantified (market surveys) and interpersonal relations	Standardised and abstract
Evaluation criteria and methods	Functional and symbolic rather than monetary evaluation	Evaluation through the local housing market (construction costs)	Real comparative risk/return based on new methods (discounted cash flows) in accordance with local markets	Based on financial model of comparative risk/return on financial markets
Phases				
Initial intention	Maximise usage value Minimise monetary cost Isolation from the rental market	Production to generate monetary returns (exchange value)	Set up a constant source of long-term profit Speculation on local market appreciation	Attract institutional investors
Creation	Significant self-provision and production Local savings, use of banks	Construction of homes (buildings) or individual houses (detached homes)	Construction of buildings, housing estates, etc. or purchasing of existing stock	Diversifiying risks and speculating on securities
Exploitation	Self-consumption	Sale to users	Letting (long-term)	Stock-market appreciation and dividends
Exit	Family transmission (inheritance, etc.) Sale on the local market	Sale by estate agents	Speculative property sales	Disposal of securities on the financial markets

Neuchâtel (medium-sized city), Berne (political capital) and Zurich (economic capital) (Theurillat, 2011a; Theurillat and Crevoisier, 2012, 2013).

The second examines demographic changes and residential attractiveness in Swiss cities. It examines the various parties (household residential choices, strategies of public and private players) involved in the urban regeneration projects in Neuchâtel and Zurich (Rérat, 2010, 2012a, 2012b; Rérat and Lees, 2011; Rérat et al., 2010).

The third deals with residential cross-border mobility and the way the real estate market works in the Franco-Swiss Jura mountain region (Rérat et al., 2011). On the Swiss side, there was particular focus on small industrial cities (Le Locle), medium-sized industrial cities (La Chaux-de-Fonds) and rural regions (Vallée de Joux).

In the real estate markets studied, almost 90 interviews were carried out with key players and privileged observers (e.g. managers, construction companies, banks, real estate companies, investors, local authorities, etc.).

We subsequently compared case studies to reveal that differences were not just down to location but also to structural characteristics. This suggested the existence of systems with their own unique internal dynamics. On the basis of this observation, we used Braudel's work as a basis for our own proposed conceptual framework, which takes account of these systems (the real estate *markets*) whilst situating them within the global picture (the real estate *market*). In implementing a *metasynthetical* approach (Finfgeld, 2003; Thorne et al., 2004; Walsh and Downe, 2005; Zimmer, 2006), which involved extrapolation through the gradual inclusion of case studies, we were able to create an *interpretative framework*.

This interpretative framework strives for a generalising discourse, for identifying a global model of comprehension and interpretation of the mechanisms of the production of housing in various spaces. It is therefore more a conceptual proposition emanating from an ideal-typical approach than a detailed restitution of several case studies. This interpretative framework is nonetheless influenced by the Swiss context and some adaptations would be necessary to apply it in other national contexts.

The Swiss real estate market presents indeed some distinctive features. First, Switzerland has the lowest proportion of homeowners in Western Europe (Gerheuser 2004), with 34.6% in 2000. In other countries it is more than 50% (with the exception of Germany) and in some cases reaches 80%. This situation may seem paradoxical given that the great majority of households claim to prefer ownership to renting (Cuennet et al., 2002). It is explained notably by the high cost of land and housing, the still low share of co-ownership (forbidden between 1912 and 1965), the personal financial contribution required to buy a commodity (20% of its price), the good quality of the rental stock and by financial and monetary stability (which means that access to ownership is not a method for protection against inflation).

Most of the rental housing stock belongs to private individuals (57.4%) (Cuennet et al., 2002). The remainder belongs to investors (22.2%: 8.4% to pension funds, 5.7% to real estate companies, 5.5% to insurance companies and 2.6% to real estate investment funds), to housing cooperatives (7.9%) and to other non-profit institutions (5.9%; among which 3.4% is in the hands of public authorities that almost do not invest directly in housing; see Cuennet et al., 2002).

Stage 1: The self-provision and self-consumption real estate market

For this first stage, we called upon literature dealing with self-provision and self-consumption (i.e. scenarios in which occupants participate, in various ways, in creating their home). This form of production is widespread and even predominant in numerous countries. This does not just refer to the informal construction of southern areas (Agier, 1999; Bolay, 2006) or the slums in certain northern towns and cities (Ascensão, 2013). Despite not having been the subject of much study (see, however, Dubois, 2002; Duncan and Rowe, 1993; Halleux, 2009), it is nevertheless widespread practice in rural areas and peri-urban areas of industrialised regions such as the Jura mountain area (Vallée de Joux).

Characteristics of self-provision in real estate

Players, institutions and money. In this stage, the property developers are also the consumers. Duncan and Rowe (1993) differentiate between self-provided housing and self-build housing, although there are grey areas between the two categories. In self-build housing, people are personally involved in the construction of their home. Self-provided housing refers more generally to cases in which households act as property developers, investors and users. Processes in which they are involved include the search for suitable land, raising capital and liaising with local authorities and craftpeople.

Even in regions with high average income levels, it is common for people to invest a considerable amount of time in the construction or renovation of the building in which they are to live. They also take responsibility for all or part of the design and building works, often with the help of family and friends.

The advantage of this system is that it minimises both cash outflows (which mostly go to cover materials and labour) and debt, whilst securing a home for one's own use. Self-production is characterised by low division of labour and low skills. It is governed by use value.

In this system, financing derives from various sources according to the specificities of the countries. First, there is household savings and income from family members (Poggio, 2012). The latter may also take the form of an inheritance in kind (land or building) involving few monetary transactions. Second, but crucially, monetary finance is less important than the household's investment of time. Third, bank loans may complete the project funding.

Spatiality and temporality. Often the thinking behind this kind of production is to secure a satisfactory home, to 'get out of the market' by having one's 'own place', a form of guaranteed security independent of the prevailing economic situation. Localisation in peripheral areas, where the urban rent is the lowest, corresponds to the low financial means of involved players and by the absence of the the typical agents of the other levels, promoters and capitalists.

It is prevalent mainly in rural and peri-urban areas and takes the form of the construction or renovation of individual houses or small buildings. In towns and cities, what some parties do (e.g. cooperatives, foundations, state agencies) is close to self-provision in the sense that they are situated outside of the market place and their strategy is based on use value (for more detail see section 'Real estate market dynamics in institutional and territorial contexts').

Case study: Rural municipalities in the Vallée de Joux

Self-provided housing predominates in rural and peri-urban areas. This is accounted for by the low cost of both land and buildings, facilitating access to property, and by the low level of other investor types. The Vallée de Joux makes a good case study for this form of housing production.

The buildings typically constructed are detached houses. Generally speaking, this relates to households living in the region who wish to get out of the rental market and into the property market. Their motivating factors fall into three main groups. First, the purchase of a detached home with gradual repayment of a mortgage is seen as a saving, in contrast to rental payments which are seen as a current expense. Being a homeowner is also seen as a sign of social success as well as a way of securing a home ('having your own place'). Finally, the detached house is a particularly popular type of home for families (garden, etc.).[3]

The gathering of information, the proposed development area search, project organisation and appointing of real estate professionals can be done locally. The same goes for capital which, in addition to the initial deposit (in Switzerland, generally 20%

of the cost of the property (Cuennet et al., 2002)), involves a mortgage. The majority of the market is covered by banks with strong regional connections.

Stage 2: The urban real estate market

The second stage is the real estate market in stricto sensu and is based on *exchange value*. This section draws on a second corpus which, on the one hand, includes a neo-Marxist deconstruction of the real estate market and its infrastructure (i.e. 'the secondary circuit of capital' described by Harvey (1978, 1985, 2003)) and an analysis of how it operates (Beauregard, 1994; Charney, 2001; Fainstein, 1994; Haila, 1991). On the other hand, the literature we used references socio-institutionalist (Healey, 1991, 1992, 1998, 1999) or institutionalist scholars (Ball, 1998; Guy and Henneberry, 2000; Keogh and D'Arcy, 1999), whose studies of institutions, processes and the various parties' interactions, analyse the critical role of developer-builders. This stage, characteristic of urban regions, is illustrated by two medium-sized cities: La Chaux-de-Fonds and Neuchâtel.

Characteristics of the real estate market

Players, institutions and money. The market is an institution whose main characteristic is to socially distinguish specialist producers from consumers and to bring them together via various negotiation and exchange mechanisms. In the real estate sector, this corresponds to the emergence of professional property developers and brokers.

The market is based on the calculation, as reckoned by the developer, of the difference between the monetary cost of production and the market price, with the aim of achieving a margin. This margin enables developers to get paid for their work, and even create additional profit. The latter may be the result of a market malfunction (e.g. heterogeneity of goods, absence of transparency, etc.). The market is also characterised by competition and fact that prices must be paid by both producers and consumers. Producers only ever manage to have a marginal influence upon them. Inefficient producers may also find themselves ousted from the market.

The urban real estate market is primarily based on the construction of small buildings (or even houses) with apartments aimed at private individuals. The latter concurrently play the role of funders, property owners and users. This market is based on exchange value and is organised at local level. Consequently, the key players are the real estate companies and construction companies which have a tacit understanding of a specific market. Their profits depend on the demand, income and savings of private individuals, as well as mortgage-lending conditions, which are governed by the institutional framework of the individual property market.

Examining the real estate markets' intrinsic dynamic, a number of authors emphasise the role of agents, specifically real estate developers and entrepreneurs (Haila, 1991; Healey, 1992). Although the properties which they are creating are part of a market, they do develop strategies to respond to existing demand, as well as to compete effectively with new products on the market. In this regard, Charney (2001) indicates three areas on which entrepreneurs play to create supply. They can specialise by combining location, sector (residential, commercial, industrial or offices) and property (new or existing buildings).

Consequently, the importance of specific knowledge of local real estate institutions and markets should not be underestimated. The action and 'rationality' of entrepreneurs is determined by a given institutional framework (regulations governing structure and planning, policies regarding economic development, sustainable development, etc.) and a range of formal relationships (contracts) and informal relationships (contacts). On this basis various arrangements are formed around real estate production (Fainstein, 2001; Guy and Henneberry, 2000; Healey, 1999; Healey et al., 2002).

Spatiality and temporality. There are several reasons why second stage real estate markets are organised on a local or regional basis. First, demand is to all intents and purposes shaped by the fact that households are looking for accommodation in the area where they work, i.e. within reasonable travelling distance of their workplace. Demand is also characterised by economic capital which varies markedly from region to region. Moreover, real estate markets are often hard to fathom because of the heterogeneity of goods, the decisive importance of local regulations and practices and the role of local politics. All of this affects supply as well as the price of land. The same goes for the various services and infrastructures to which households have access. These real estate markets operate on an ad hoc basis; the one major advantage which local developers have is knowing how to identify and successfully exploit opportunities that arise.

The real estate market is one of the main regional and local economic channels. Effectively it represents a considerable household budget expense and one from which land and property owners, developers and entrepreneurs with strong local connections all benefit. All of these parties then go on to pay local workers, often to the extent that real estate can considerably boost a region's economy and contribute to regional competitiveness (Keogh and D'Arcy, 1999).

A case study: The medium-sized cities of Neuchâtel and La Chaux-de-Fonds

When ground rent becomes too high, self-developers are replaced by real estate companies and construction companies, who do not only deal with building in stricto sensu but take on the role of developers. They therefore account for a considerable proportion of the market in medium-sized cities such as Neuchâtel and La Chaux-de-Fonds.

They tend to favour buildings that house, at most, 20 or so dwellings, for example created within projects of densification of the built environment. They may also focus on housing estates of detached properties in suburban areas. These kinds of project are too extensive for individuals but too small for stage-three investors.

These companies have two aims: to generate work for their own business and to make a quick profit by selling on the finished properties. There are various reasons why they prefer sales to lettings: the prospect of better returns, the time and money involved in property management and the risk of properties lying vacant. The end-investors are private individuals, to the extent that this type of building owner is behind most joint-ownership dwellings. They are thus responding to the growing demand assisted by mortgage-lending rates which in Switzerland have been particularly low over the last few years, thereby making property ownership more accessible. Some companies are, however, big enough to undertake larger projects (of around 50 dwellings) which they then sell on as turnkey property to stage-three investors (see below).

The construction companies and real estate businesses active in Neuchâtel and La Chaux-de-Fonds are based in the local area. Being based locally, they can understand the market and market trends, are in frequent contact with their business partners and competitors, and can gauge the success of completed projects. They tend to operate on a more or less ad hoc basis, acting when their understanding of the area and their local networks indicate that an opportunity has arisen. Expressions such as 'a feel for the market' or 'sensing demand' crop up regularly during interviews. This approach is used over and above market surveys when determining demand, and this tends to be increasingly the case the smaller the project.

Stage 3: The metropolitan real estate market

The third stage covers professional investors who invest their capital in real estate with the aim of *making a profit*. Ownership passes to the shareholders; it is dissociated from the use of the properties themselves, which are generally rented out. The aim of producing property is not to enable the capitalist to raise revenue for consumption, but to reproduce their invested capital. This is of course a conceptual distinction. In reality, the roles of capitalist, developer, builder and even user may sometimes overlap.

The expression 'urban rent' has to be clearly distinguished on the one hand from 'profit' and on the other hand from 'rent'. Profit is the normal revenue of the capitalist who invested in a more or less risky business. 'Rent' is the payment for the use of a house or a flat. Following Ricardo's contribution to land rent, the urban rent is an income which does not correspond to the remuneration of any work nor to the standard remuneration of capital invested in a business. The urban rent is the result of the general increase of the value of a city. In such a case, the owner of a given parcel, let's say in the city centre, will obtain a higher rent without making any investment. The capture of the urban rent is therefore a social and political issue because there is no legitimacy for the owner of the parcel to become richer.

The literature relating to this stage focuses largely on institutional investors who are interested in real estate and metropolitan infrastructures. This issue is closely related to the increasingly more market-driven housing systems and housing wealth accumulation which occur at a global scale with specific conditions within countries (Forrest, 2008). There are two distinct types of financial capital: 'real' real estate capitalism, which takes the form of actual investments, and financialised real estate capitalism, which takes the form of investments in listed or unlisted securities. In the latter case, investments are made on a portfolio basis and do not necessarily translate into actual constructions. A good example of this type of double market is the major international financial centre, Zurich.

Characteristics of 'real' real estate capitalism

Players, institutions and money. Real estate, and more broadly, cities, have long attracted capital from financial institutions (Fainstein, 2001; Harvey, 1985) such as banks and insurance companies. The latter are attracted by revenues from (long-term) rental value and/or speculative value (resale at a profit).

Since the financial crisis of 2001, financial institutions have been showing renewed interest in investments and the built environment and in the major cities in particular. This interest stems on the one hand from institutional reforms affecting the financial markets and the development of mutual funds managed centrally by institutional investors.[4] On the other hand, it stems from the ready availability of property following the privatisation and outsourcing of business and governmental real estate in various countries (Aveline-Dubach, 2008; Theurillat, 2011b). Consequently, real estate revenue from residential lettings is increasingly supplemented by income from commercial real estate and large properties in the form of multipurpose complexes (Theurillat, 2011a), from schemes for urban renewal (Hagerman et al., 2007) and infrastructure (Torrance, 2009).

The materialisation of financial capital in cities is made by large real estate development and construction groups. These national groups may act at an international scale, can be listed on the stock exchange and, depending on countries, belong or be affiliated to banks. In the case of large-scale urban projects, these groups play a key intermediary role between institutional investors and cities (David and Halbert, 2013a; Theurillat, 2011b; Theurillat and Crevoisier, 2013; Wood, 2004). First, they have an array of technical as well as legal and financial skills. Second, they have specific and often tacit knowledge of the local real estate markets. Whilst being directly involved in construction activities, they also have interpersonal relationships with the various parties involved (owners, local authorities, political parties, commercial operators, future users, etc.). Institutional investors also have recourse to certain real estate analysts and experts to evaluate investments and produce quantitative and comparative information on potential properties and towns or regions.

Spatiality and temporality. The defining characteristics of the capitalist stage, in real estate as elsewhere, are the extent of monetary outlay, the size of the projects concerned and a systematic location in those places where the urban rent is the highest. Investment is an expenditure made at a given point in order to secure future revenue during a given period. This is therefore a completely monetised system, on both the production and consumption side.[5]

Real capitalism's area of investment mainly concerns major cities and large properties (Halbert, 2004; Theurillat et al., 2010; Torrance, 2008). Capital comes mainly from real estate funds, real estate investment trusts and domestic or foreign pension funds. Some scholars (David and Halbert, 2013a; Sassen, 2010) emphasise the connections between business globalisation, financialisation and metropolitanisation. The globalisation of businesses has increased demand for the kind of office buildings and infrastructures required by big businesses, thus boosting the metropolitan markets fuelled by international financial capital. Consequently 'real' real estate capitalism's income involves very specific sectors within major cities (Lizieri, 2009). Institutional investors thus bank on urban income, generally in the long term in the case of rental income and in the short term in the case of capital gains made on the (re)sale of property.

The change in the scale of the real estate markets and the link with domestic and foreign financial capital is also apparent at specialist intermediary level (Magalhaes, 2002). In this market, the major development and construction groups and real estate consultants operate on an international scale (Cushman and Wakefield, Jones Lang Lasalle, etc.). To describe these networks of different groups involved in circulating capital across relatively long distances to their actual base in the urban environment, Halbert and Rouanet (2013) coined the term 'transcalar territorial networks'. Financial institutions therefore rely on specialist professionals whose job is to secure capital for the urban area. Information produced by the various property consultancy and ratings specialists is formatted such that investors, taking a 'bird's eye view' of the territory, can select suitable projects (Theurillat and Crevoisier, 2013). Indeed, unlike users, who are limited to a single region, and property developers, who rely upon their knowledge of the local market, investors actually carry out a *comparative* evaluation of spaces. These specialist intermediaries operate on the basis of the so-called *discounted cash flow* (DCF) models used by institutional investors; they standardise and quantify the details of buildings and local markets to enable them to compare, rank and track their investments.

Characteristics of 'financialised' real estate capitalism

Players, institutions and money. Institutional investors' renewed interest in real estate can also be seen in the financial markets. Indeed, the large-scale financialisation which has affected the industrial, financial and commodities sectors over the last 25 years has also caught up with the real estate sector. With the economic crisis in 2001, real estate even became highly attractive, with the portfolio-led approach (Markowitz, 1959) contributing to the diversification and lowering of risk. Consequently, this sector has evolved in an increasingly financialised manner. Property developers, working with finance companies, proposed large-scale projects (Spain, Ireland, Switzerland, etc.). Large banks and other financial institutions were involved in the financialisation of existing properties (e.g. the Netherlands and the USA, with their now notorious *subprimes*; Aalbers, 2008, 2009; Gotham, 2009, 2012).

In this segment, the purely financial approach has often dominated the real estate market's real priorities. Thus, whole towns have been built in Spain without having been either sold or let (Vorms, 2009). Whilst financial market investors were taking a massive gamble on sector growth (also based on mimetic expectations), rates continued to rise independently of the realities of local situations. This therefore refers to financial phenomena with specific conventions (Orléan, 2011), i.e. based on the financial community's shared perceptions about the evolution of an economic sector. The dot.coms bubble in the 1990s and the property boom in the 2000s are two good examples of this. Institutional organisations' profits come from *financial gains* made over the short term (through buying/selling securities).

The financialised real estate market came into existence through the increasing liquidity/mobility of capital (Corpataux et al., 2009; Corpataux and Crevoisier, 2005), resulting from securitisation and the emergence of real estate investment vehicles (e.g. availability of listed and unlisted[6] companies and funds) in which institutional investors can purchase shares. The evolution of the financialised real estate markets thus depends on other sectors and spaces, in accordance with whatever the financial operators' prevailing views happen to be.

How have these enormous investments (even more so since the financial world's renewed interest in the built urban environment between 2000 and 2008) translated into actual real estate? In other words, what is the connection between real and financialised real estate capitalism? So far this matter has not been addressed in sufficient depth. We would however posit that, just as for companies involved in the production of goods and services, there are a certain number of 'leaks' connected to the reinjection of capital on the financial markets (purely speculative rises in stock prices independent of concrete achievements). Financial capital does not necessarily result in concrete investments but is used for various operations which cause stock prices to rise, for shareholders (strengthening of equity capital), portfolio managers (stock options) or even competitive buy-outs (mergers/acquisitions).

Spatiality and temporality. A 'financialised space' (Corpataux et al., 2009; Theurillat, 2011a) brings together the world's major financial markets to form the 'global city' (Sassen, 1991). Here, capital moves between them extremely rapidly. In fact, household capital raised, for instance, for retirement purposes, is then reinvested in financial channels. A proportion of this capital goes to fund projects based at relatively long distances from savers, sometimes even in other countries.

In financialised channels, wealth managers can make instantaneous comparisons of financial products and spaces. The way real estate evolves therefore depends strictly on information about changes (both projected and mimetic) to prices of other financial assets.

A case study: The financial metropolis of Zurich

Traditionally, the Swiss pension funds and insurance companies have invested in real estate. They mostly own residential properties, which tend to be locally based for small- and medium-sized pension funds, and further afield for larger ones (Theurillat, 2010). Since the 2000s, real estate funds (belonging mostly to the country's major banks) and large stock-market listed companies have experienced considerable success, with financialised real estate becoming a highly sought-after product for pension funds because of their ease of acquisition and management.

Zurich is a fine example of the harnessing of financial capital in the built urban environment. The main Swiss real estate funds, all based in Zurich, have developed new financial products that have helped fund the design and build of major multipurpose projects including homes, offices and commercial units. This has happened for instance with *Sihlcity* (shopping and leisure complex), *Greencity*[7] and several projects within the *Zurich West* area which combine business and residential spaces (*Puls5*) or office and retail space (*Swiss Prime Tower*). These large-scale operations, involving sums of up to several hundred million Swiss francs, have led to the regeneration of vast expanses of industrial wasteland.

As an international financial centre, Zurich deals with considerable cash flows. Real estate funds are in a position to attract capital at both national level (pension funds and insurance companies) and global level (institutional investors and private foreign investors)[8] and to invest a good proportion of it in the city of Zurich itself, which has become a symbol of financialised investment in the built urban environment in Switzerland.

An entire industrial, financial, legal and political system was set up during the 2000s. It includes the major real estate financial institutions in the marketplace (some of which take on property development and investment roles, sometimes retaining the properties in their portfolio) and major national property development and construction companies (who develop projects intended for sale to institutional investors or who build projects developed by the latter). Within the Zurich market there are also big businesses letting out large retail or office units (insurance companies, banks, supermarkets, etc.) and major real estate consultancy companies.

This system also includes Zurich's local authority which during the 1990s adopted a new town-planning strategy based on collaboration with various different parties involved in the projects (landowners, investors, etc.) (Rérat et al., 2010). This strategy was initially applied within the scope of industrial regeneration projects and was part of an initiative to increase the city's population after several decades of demographic decline (Rérat, 2012a).

Zurich is Switzerland's primary repository of financial capital coming from other regions or from abroad. Its urban income is largely related to the financial sector, which is also ideally positioned to handle this income. The mimetic expectations of the financial markets with regard to both finance and real estate also extend to the real built urban environment, changes to which tend to affect the health of the financial sector. In the case of Zurich, the financial sector and real estate, whether stock-market listed or not, are therefore closely related. We therefore have a circular, self-referential system, focused on the Global City and attracting investments from its surrounding areas.

Real estate market dynamics in institutional and territorial contexts

The three stages we have presented are conceptual and analytical tools, ideal models of real estate production systems. The aim of this final section is to bring together these three systems and outline the way in which they interconnect according to the level of urbanisation and the forces of gentrification.

Overlapping systems and competition for income

In these three ideal real estate system models, the first stage refers primarily to rural areas, the second generally to urban areas and the third to metropolitan areas. Figure 1 shows how these categories increasingly coincide with the level of urban development. This gradient goes from low density areas to the centres of the largest cities. It provides an account of the urban rent, which is the central and powerful organisational principle of real estate markets in space. Urban rent corresponds to the capitalisation of the general functioning of the economy of a place on the price of land, and then on the price of buildings and on rents. This is the mirror of the various advantages provided by a location in central places (Camagni, 1996). As explained above, the urban rent is an income which is the consequence of a privileged situation and does not correspond to any counterpart. Competition for urban rent by economic players leads to a pressure on land prices that is higher when one gets closer to the centre. This explains the increase of urban density as well as the rise of monetary value creation per square metre.

Nevertheless, as stated in Braudel's theory, if capitalism is nearly absent of peripheral places, activities of the first level will be found even in the most central places. Metropolitan areas are typical of this overlap. Here we have not only the market, based on exchange value, but also real estate capitalism, based on profits and real or financialised urban income. Regarding the based on use value and (partial) isolation from the market, we suggest that in the real estate sector, cooperative housing as well as social housing can be seen as modern forms of maintaining a population with relatively low monetary income in cities, i.e. of

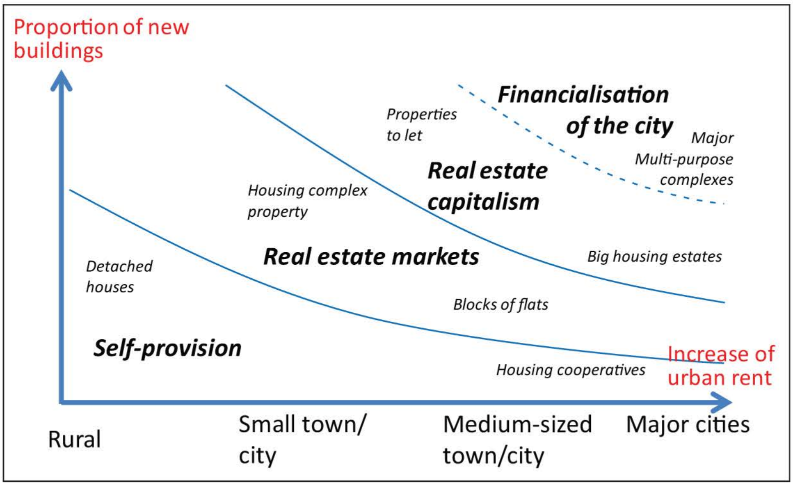

Figure 1. The areas of the real estate market.

allowing a certain level of self-provision and self-consumption. Housing cooperatives[9] also share with the classic self-provision the direct involvement of futures dwellers in the realisation and the management of the real estate property. Their existence is encouraged in order to address social concerns (rents are lower than on the open market) as well as environmental considerations (construction criteria).

In Switzerland, cooperatives are at the heart of the Confederation's new housing policy, and that on which the Cantons model themselves. They are being supported by the authorities in providing land, mortgage loan backing, etc. Financial arrangements for these projects are based on equity from company shares owned by each member of the cooperative. Occupation is on a dual 'lessee-owner' basis: the household does not own its apartment outright, but a part of the overall project. In Switzerland, cooperatives own 1/20th of all housing stock. Despite recent political support, their existence owes more to the areas in which the cooperative movement blossomed in the early 20th century, Zurich being such an example, with almost 20% of housing cooperatively owned.

Social housing also helps maintain low-income households in cities in spite of the urban rent. A public policy is therefore essential if it is wished to keep a social diversity in central areas.[10] Could social housing also be assimilated to Braudel's first level? Clearly, it should be interpreted more as a 'de-commodification' policy than a 'de-monetised' one. This is probably a limit of our transposition of Braudel's work, which was designed to explain the complexity process of economic life mainly during the centuries preceding the emergence of social states.

Still regarding the overlapping of the different 'levels', small and large towns and cities are also likely to attract local or national institutional investors (third stage) in the case of extensive properties. In Switzerland, multipurpose complexes (e.g. sports stadia combined with shopping centres, housing combined with commercial activities) have been built in the latter and acquired by real estate funds or pension funds (Theurillat, 2011a).

There is also some overlap in rural areas between the first and second stages. It is far more unusual with the third stage although some internationally renowned ski resorts have managed to attract 'big' money. The appearance of tourist megaprojects in the Alps are seen as good diversification opportunities for Swiss and foreign funds, the Swiss market having a reputation for stability and reliability.

Gentrification as a complementary/opposing force between the three stages

Gentrification exemplifies the links between the three stages. This phenomenon can be defined as the transformation of urban areas by or for the upper middle classes. Initially seen in large cities such as London, gentrification has spread further afield in other types of area and at other levels of the urban hierarchy, to the extent that it has become a clear marker of urban change. The various forms of gentrification all share four main characteristics (Lees et al., 2008; Rérat et al., 2010): the reinvestment of capital in certain urban areas, the arrival of groups of a higher socio-economic status, transformations of the built environment and landscape and the effects of eviction (whether direct or indirect).

According to the forms and stages of gentrification, capital reinvestment will relate to one or other of the stages identified. Gentrification is often started by pioneer households, particularly artists who tend to be good at seeking out cheap areas with good potential (Ley, 2003). Such groups have for instance created new ways of living such as lofts (Zukin, 1982). During this phase, financial investment is limited but there is a considerable investment of users' time and effort (sometimes referred to as *sweat equity*).

The enhanced prestige and image of the area eventually translates into an increase in real estate prices, leading to the displacement of the initial gentrifiers and the arrival of households with higher economic capital. During this phase, the key players are the property developers, whose role Smith (1979) defined as identifying and exploiting a 'rent gap' (i.e. the difference between current returns and the potential returns in the event of redevelopment). Moreover he sees gentrification above all as the return of capital to the city and the result of disinvestment and reinvestment processes.

Gentrification can also take the form of large-scale projects when property developers and investors transform entire areas often with the support of the authorities (Hackworth and Smith, 2001). These operations require considerable capital to the extent that they show the various connections between global players and those involved in real estate financialisation and gentrification.

In the second and third stages, the capital required comes from property developers and investors and it is only in the second step that households become part of the process of reinvestment in central areas through rental payments or home-buying. Where the first form implies the gentrifiers' direct involvement in the renovation of their home, others represent a 'commodified' version of gentrification (Butler, 2007).

Conclusion

Since the 1990s, researchers have been deconstructing the real estate market with the aim of understanding its internal dynamics. These works have revealed the parties, the processes and the institutions and, consequently, both the diversity and contingency of the real estate markets. Increasingly, these analyses put great emphasis on the numerous links and interdependencies between real estate, land value, planning and town planning policy and even the financial system. However, the vast majority of this research only looks at major cities, neglecting other areas. Therefore, in developing new thinking based on Braudel's three stages, our aim was to take a more integrated approach.

The ideal models proposed are based on a meta-synthetical approach, drawing on various pieces of research conducted in Switzerland and on the literature adopting a socio-economic approach to real estate. Real estate is a market with its own characteristics. It is a good which has both a use value (consumption), exchange value (sale) and a return (profit). Its global 'value' depends largely on context: it definitely depends on a property's characteristics but most of all its location. Equally, this context relates to use (for example proximity to an area of employment), as well as real or financialised investment value. For example, real estate in major cities has a financial market value, whereas that in a medium-sized town generally does not. The analytical framework we have developed not only takes account of this territorial diversity but also those overlaps which exist within a given situation.

The typology proposed here does not constitute a finished theory on real estate. It has a different ambition, i.e. to juxtapose, compare and link the various objects, parties and institutions as well as the territories that go to make up the real estate system. This relatively complete approach enables an understanding of the sector's overall dynamics and its wider role in the economy and society.

Although until now most works have emphasised the role of property developers, builders or investors in real estate market dynamics, the issue of urban rent, referring to land and real estate revenue is often seen as a 'taken for granted' which depends on the level of demand at a given point. We think that one of the major heuristic challenges is to deconstruct the economic value of a property. This value depends on various technical criteria, relating to future users' expectations of use and function for example. It also depends on projected commercial returns, whether directly through business users or indirectly through property owners and investors' rental income. It also depends on the prevailing aesthetic and ethical values in a given situation. Obviously those criteria which govern the aesthetics and the 'beauty' of the built environment today are not what they were 10 or 30 years ago. Town planning and construction quality are also increasingly based on the local authorities' and the inhabitants' own expectations regarding quality of life and sustainable development. The economic value of a property, particularly in projects of a certain size, is therefore affected by various social values which may facilitate or prevent it being realised. For example, a project's environmental credentials may be valued by property developers. Conversely, those opposing property developments may also do so on the basis of ethical or social criteria, such as the need to maintain public space or the architectural integrity of an area. To deal with the broad issue of the construction of the urban rent within specific territorial context, we think that one possible way would be to question the property developers' 'business model' which may now be more complex because of the various technical, institutional, financial as well as socio-cultural and symbolic features to address when developing a real estate project.

Funding

This paper is taken from two projects funded by the Swiss National Science Foundation ('Privatization of Financing and Sustainability in Urban Infrastructures' and 'Back to the City?', requests FN405440-115136 and 107033), as well as from a project funded in the frame of the program 'Interreg IV A France-Switzerland' (and supported by the European Union, the Swiss Confederation and several local and regional authorities).

Notes

1. According to both Marxist and neoclassical models, real estate markets depend on the growth of other economic sectors and are not considered to have their own internal dynamics. In other words, real estate is a derived demand. According to the neoclassical approach, the goods market drives all the others. When this market falls, employment is affected, thereby pushing down demand (for offices and homes) and ultimately affecting income. Consequently, developers do react to demand but out of step with economic cycles because of the time required to complete a project. According to the Marxist approach, the built environment, namely the infrastructure required for economic production (factories, roads, etc.) and consumption (shops, homes, etc.), constitutes the second of the three channels for the accumulation and circulation of capital. Harvey (1978, 1985, 2003) sees the urbanisation of capital as moving the primary channel of production towards property in order to overcome the over-accumulation inherent in the capitalist dynamic, i.e. the pursuit of profits in a competitive environment between capitalist businesses. The third channel comprises the technology (science and innovation) and social sectors, which support the reproduction of capital. The financial system plays an instrumental role in the circulation of (surplus) capital.
2. This paper therefore does not address the secondary market (sale of already existing housing objects) nor the rehabilitation projects or commercial real estate (offices, etc.).
3. Here we see the main motivations revealed by other studies (see, for example, Haumont, 2001 and Bourdieu et al., 1990).
4. Financial capital comes from savings, mainly from pensions savings originating from

wealthy countries and, increasingly, emerging countries (pension funds for instance), or from an imbalance in business surpluses (sovereign wealth funds). This has spawned a rash of financial products and funds in various sectors of the economy (private equity funds, hedge funds, derivatives funds, etc.) and in the real estate sector in particular.

5. In the first stage, monetisation is only very partial. In the second stage, the buyers and users can pay off their debts and be almost entirely free of these monetised systems.
6. There are in fact numerous unlisted securities markets covering financial institutions. Prices are negotiated by mutual agreement and liquidity/mobility (exit) is less straightforward.
7. This area, worth some Fr. 800 million, is based on renewable energies and built on a former industrial site. It includes retail units, office space and apartments for let or housing cooperatives.
8. The federal legislative framework does however limit capital contributions from abroad for residential buildings ('Lex Koller'): the portfolio of stock-market listed funds which are open to foreign investment may therefore not exceed 20% of residential properties.
9. The principles of cooperatives have been applied to housing in the first place in Germany and neighbouring countries (Austria, Denmark, the Netherlands, Sweden, Switzerland) (Kemeny et al., 2005).
10. We could also integrate to this stage agencies that are local-authority owned or subsidised in this 'de-commodification' process. This is, however, only partially the case in Switzerland. Cities indeed own housing stocks of which only a part is subsidised, the remaining part being managed according to the usual criteria of profitability (Cuennet et al., 2002). Likewise local authorities may encourage and help developers of any kind who in compensation 'accept some conditions regarding the building profitability and therefore the level of rent. […] It would therefore be erroneous [in Switzerland] to assimilate subsidised housing with non-profit housing and non-profit housing with social housing' (Cuennet et al., 2002: 15–16). Moreover, according to its share non-profit housing may influence, lead or dominate the rental market. In Switzerland it has only a limited influence (Kemeny et al., 2005).

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