

Planning with capital markets: financial intermediaries' investment standards and the political economy of urban production in the French commercial real estate sector

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The financial infrastructure underpinning the production of contemporary city-regions is transformed as financial intermediaries that pool economic agents' savings and allocate them between various types of assets are gaining importance (Froud, Johal, & Williams, 2002 on coupon pool capitalism). Traditional savings-to-loans banking intermediation is thus partly giving way to the financial re-intermediation realized by the financial intermediaries active on capital markets. As other economic activities, the urban built environment is affected by this evolution: financial intermediaries find in a growing number of urban actors (households, municipalities, development companies...) and urban objects (land, buildings, highways, bridges, airports, sewers, photovoltaic panels...) investment opportunities that offer promises of future income streams (Leyshon & Thrift, 2007). By bundling them in 'alternative investments portfolios' (Torrance, 2008), and trading them publicly or over-the-counter, these financial intermediaries contribute to transform urban assets into financial commodities and financial subjects (Martin, 2002).

This evolution in the financial infrastructure has sparked several researches that look at how financial re-intermediation affects the production of the urban built environment (see Attuyer and Halbert, forthcoming). A key result is that, whether the local planning authorities welcome such financial intermediaries, negotiate the conditions of their investments, or even attempt to resist to them, they are always confronted to what appear to be financial intermediaries' investments standards (David & Halbert, 2014; Guironnet, Attuyer, & Halbert, 2015; Theurillat & Crevoisier, 2014)(Theurillat et al., 2013; David and Louise, 2014; Guironnet et al., 2015).

Such ‘investment standards’ are explained differently by various schools of thoughts. In neoclassic-inspired accounts, financial intermediaries do not hold any agency: they are believed to merely match the needs of investors and the expectations of savers. In a partly similar understanding, Marxist theory assigns financial investors to follow a principle of rent maximization whereby they treat land and properties as financial assets, i.e. for the rent they may yield (Charnock, Purcell, & Ribera-Fumaz, 2014; Harvey, 1982; Kaika & Ruggiero, 2013). Recognizing the possibilities of market inefficiencies, neo-institutional accounts integrate asymmetry of information theory but do not go as far as to recognize any specific agency to financial intermediaries (Ball, 2002). In contrast, heterodox approaches like cultural economics, highlight how the ways financial intermediaries invest the monies they raise on capital markets may be influenced by elements that has to do with their professional culture, their revenue-generating models and the calculative tools they use (Crosby & Henneberry, 2015; Henneberry & Roberts, 2008). Yet, such works that are focusing on financial intermediation as an *activity* has so far failed to fully take into account how investment models are produced and reproduced in particular geographies. Although the geographic concentration of financial intermediaries in a limited number of financial centers is well-known (Lizieri, 2009), there is still a need to understand how this geographic proximity is ‘activated’ (Rallet & Torre, 2005) and with what effects on the constitution of shared conventions that format investments’ standards.

The present research adopts a territorial economy perspective to look at how these conventions develop in the case of the French commercial real estate market. It relies on a 5-year long research developed since 2010 which studies the investment practices of financial intermediaries. Starting with a quantitative mapping of investors portfolios, it analysis a series of around 100 semi-directive interviews with investment managers located in the Paris city-region.

This allows us to first expose the main features of these investment standards, and to demonstrate their relative flexibility over time. Furthermore, and more importantly, it reveals how these conventions over investments are embedded in a fairly small professional community whose coordination combine various forms (market, organization, social networks, epistemic community) and occurs in particular

spaces (the Paris CBD, international investment fairs, several specialized higher education degrees, dedicated journals). Lastly, the paper demonstrates that the investment standards followed by this professional community reflect a metropolitan bias that directly echoes that of the location of the real estate investment financial *milieu* itself. This has direct consequences on the geographies of commercial real estate since investors' are adopting highly selective practices regarding both the location of their investments and the typology of built assets and their tenants.

The paper thus provides a fruitful complement to works looking at how the political economy of urban production, and its planning, is reassessed in a late stage financialized capitalism where the financing of the urban built environment is increasingly done through capital markets (see Attuyer and Halbert, forthcoming). The research demonstrates that financial intermediaries' investment standards may be best understood as the outputs of a geographically situated *milieu* that centers economy and cities around the features of its own industry.

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