The financialisation of actors, practices and instruments. Insights from Milano's urban market

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Abstract
Financialisation has become increasingly relevant in urban studies, highlighting the growing role of financial actors, practices and instruments which are shaping cities. Milano has a unique position as a middle-size and gateway city located between Continental and Mediterranean Europe and these circumstances made it a magnet for institutional investment. This research investigates such financial mechanisms in Milano, considering the global and European influence pressuring Milano's urban development, planning, and governance. Drawing on empirical studies and existing research, it analyses investment patterns, actor strategies, and regulatory frameworks. This study adopts an interdisciplinary approach to reveal the complex ties between finance and urban transformations, aiming to support equitable, sustainable development and contribute to both academic and policy debates.

Key Words: Financialisation, Milano, Real estate markets

Full Text

Over the past decades, the concept of 'financialisation' has gained prominence in urban studies, reflecting the growing influence of financial actors, practices, and instruments in shaping major urban markets. This phenomenon, as explored by scholars such as Epstein (2005), Leyshon and Thrift (2007), Krippner (2011), Christophers (2011), Gotham (2012), Raco et al. (2019), and Aalbers (2019), reflects the pivotal role of real estate investments and financial strategies for the management of built environment and urban development.

Relevant academic studies have shown that real estate markets are globally interconnected yet locally grounded and geographically heterogeneous (Holm et al., 2023; Van Loon et al., 2017). In the current economic phase, the financialisation of real estate has turned the sector into a central pillar of the entire financial market, accounting for more than 70% of global investment (Barnes et al., 2016). Accordingly, real estate represents one of the most significant investment asset classes, contributing roughly 10% of global GDP and underpinning unprecedented growth in terms of value and investment volumes, especially in emergent financial hubs (Singapore, Dubai, Doha etc.) (Bracken et al., 2021).

Focusing on the principal cities for the attractiveness of such investments, comparative analyses illustrated that property value trends before and after the pandemic (2018-2022) (Parker, 2021; Bracken et al., 2021; Holzhey et al., 2022) exhibit a moderate risk of a 'housing bubble,' with overvaluation ranging between +0.5% and +1.5%. This risk, however, is mitigated by transnational investment flows entering and exiting the continental financial systems of the EU and the US. These flows, facilitated by the financialisation of real estate assets, effectively neutralise the cyclical nature of the major property markets (Holzhey et al., 2022; Barnes et al., 2016).

Despite the COVID-19 pandemic, particularly housing prices in the Eurozone and financialisation have stabilized or even boosted investment volumes, displaying resilience amid economic turbulence which is supposed to increase over the upcoming years due to the announced interest rate cut (ECB, 2025).

As Volpi (2024) pointed out, the geopolitical influence exerted by the major asset management firms, the so-called "Big Three" (BlackRock, Vanguard, and State Street), is also significantly impacting real estate, particularly through the financial instruments that underpin major urban development initiatives. Specifically, the hegemonic control these financial funds wield over leading credit rating agencies enables them to shape perceived investment risk (Agnew, 2012) associated with securitizations, mortgages, licenses, and other instruments tied to real estate assets. Moreover, the trading of equity stakes in key institutional investors, banks, and corporations involved in territorial transformation (e.g., BlackRock's holdings in UniCredit, Intesa Sanpaolo, and Atlantia in Italy) entails substantial implications for agglomerated economies, real estate actors and planning tools dealing with real estate markets.

Within this context, the mobilisation of investments is not exclusively driven by returns or risk diversification, but also by the power relations embedded in the geopolitical positioning of cities within the real estate arena. According to Budenbender et al. (2017), real estate represents a case of 'geopolitics of the multiple' in which real estate markets are both shaped by and shaping the circulation of capital, intertwined with soft power and low-geopolitics strategies of cities (Agnew, 2012).

Moreover, the implicit subordination of local and national governments to the capital mobilised by the real estate sector led to a geopolitically reconfiguring its sphere of influence, generating high returns and new specialities, horizontally, across socioeconomic activities, and vertically, across diverse territorial contexts. Clear examples of such dynamics are the participation of municipal delegates in real estate fairs and events.

Following these premises, this ongoing research aims to explore the interrelationships among planning and economics studies to promote new pathways for equitable urban development in an increasingly financialised landscape. Within this context, it frames the nature and characteristics of real estate financialisation in Milano by examining on the one hand, urban planning and policy instruments, and, on the other, data from real estate investment funds.

In other words, building on solid research (Anselmi & Vicari, 2020; Conte & Anselmi, 2022; Bortolotti, 2023) and empirical analysis conducted with State datasets on property transactions, this study is unveiling the multifaceted financialisation processes influencing Milano's urban market by addressing the patterns and impacts of property investments in urban development and real estate management; the regulatory, programming, and planning instruments that enable real estate finance; and the roles, perceptions and strategies of the key actors operating in this arena.

This research focuses on Milano, an emblematic city for contemporary urban transformation in Southern Europe and aims to uncover the intricate connections between global predatory financial mechanisms and local urban development related to capital accumulation liberated by Milanese households and enterprises. In this regard, this working paper tackles the specificity of Milano in being a gateway city as middle size metropolis geographically and geopolitical bridging Continental and Mediterranean Europe, two fundamental elements which made Milano a magnet for institutional financial investment and enormously renovated the city in comparison to the rest of the country.

In this complex scenario, the Milanese market stands out as the only nationally relevant example for at least three key reasons. First, although it is not the capital city, Milan accounts for almost 50% of national real estate investment (Banca d'Italia, 2023). Looking solely at the large-scale developments listed in the Atlas published by the Municipality of Milan, investments are estimated to exceed €21 billion (Assolombarda, 2024), some of them like the Milano Innovation District, the Milano Santa Giulia or Milano Sesto are absorbing capital investments exceeding €5 billion euros each. Furthermore, despite the broader European crisis in real estate investment attractiveness, caused by inflation and rising construction costs, the city progressively welcomed an average of 50 new foreign multinational companies every year (Assolombarda, 2024). Also, as Conte & Anselmi (2022) highlighted, flagship projects such as Porta Nuova and CityLife exemplify how financialisation materialises into the urban fabric, channelling capital that, in turn, generated €600 million in investment in the commercial real estate sector alone (office, retail, hospitality) in the past year (Assolombarda, 2024).

Second, despite its size Milan has experienced a level of penetration by international institutional and sovereign wealth funds comparable only to global/globalised cities. This has increased both the reputation and influence of these global actors in the city's governance (Anselmi et al., 2020; Mosciaro, 2021; Conte et al., 2022). In this regard, Italy's austerity policies and the limited spending capacity of local governments have made financialisation a geostrategic lever through which the Municipality of Milan has enhanced attractiveness, competitiveness, and interdependency (Koelemaij et al., 2023; Derudder et al., 2020; Taylor et al., 2004). The ensemble of such trends massively shaped the investments in urban regeneration, particularly in large brownfields.

Third, the entanglement of trans-scalar financial and geostrategic interests in the real estate market has been enabled by the Municipality of Milan's urban policies over the past decades (Bortolotti, 2023). These policies have involved a variety of fiscal, procedural, and regulatory instruments, including the planning ones. In particular, the mix of interviews and desk analysis on planning documents, permits and agreements revealed that such mechanisms have been made possible, on the one hand by national legal frameworks that favoured the entry of foreign investment funds (Modiano et al., 2023) – as occurred at the European level (Holm et al., 2023) – and, on the other hand, through a certain market-led use of spatial action plans and program agreements already encompassed by the Milanese planning system.

Among the major brownfields unlocked between the 1990s and 2010s—thanks to the privatisation of public companies and Italy's adoption of the euro and, in particular, to the financialisation of real estate, there are the projects of Porta Nuova and City Life: the 34-hectare Porta Nuova district was redeveloped with over €2 billion in investment, attracting prominent international players (Conte et al., 2022), including the Texan global development firm Hines and the Qatar Investment Authority, one of the most relevant institutional investors in the world. Similarly, the 36-hectare CityLife project redeveloped the former trade fair site through a vehicle company led by a consortium of insurance companies headed by Generali and including global financial giants like Allianz and PWC which (together) invested over €1 billion (Conte et al., 2022).

However, the involvement of foreign capital in major urban development and regeneration projects extends beyond these most known examples. The Australian firm Lendlease, alongside Hines, one of the world's largest developers, has announced investment plans for two major districts: the 100-hectare Expo area (MIND), in partnership with the Canadian Pension Plan Investment Board, and the 120-hectare Santa Giulia district (MSG), in partnership with the German fund CTS Eventim. These investments amount to €4.5 billion and approximately €4 billion, respectively (Gervasoni et al., 2024). Hines is also the leading developer of the 150-hectare Milano Sesto mega-project, delivered on the former Falck industrial sites in Sesto San Giovanni, with an initial investment of €1.5 billion in partnership with other national and international actors (Savini et al., 2016).

Parallel to American and Australian investments, some Canadian, Chinese, French, Dutch, Israeli, English and German entities have also attempted to redevelop strategic urban sites, especially for transforming them into retail, education and office locations. Our recognition mapped the intensive activity of qualified institutional investors like, among others, the Dutch pension fund PPGM, the Canadian speculative fund Colliers, the German giant Patrizia, as well as the British fund Savills or the well-known Saudi Arabia Public Investment Fund or the Tel Aviv Investments.

As observed by Briata et al. (2023), Milan is increasingly becoming a destination for luxury tourism elite residential living and customised global investments. This change has been made possible by the alignment of real estate interests of some of the wealthiest Italian families with those of international institutional investors creating unprecedented alliances. Considering 10 pilot flagship projects delivered through significant ad hoc planning and financial tools, our analysis revealed unprecedented partnerships among local and global key investment groups and élites. Moreover, by focusing on a quantitative dimension, the delivery of such urban regenerations apparently caused enormous increases in real estate investments, values and volumes in the respective surrounding areas, in some cases exceeding 100% in comparison to the trends affecting the past ten years.

The sum of these processes reflects how the intertwining of financialisation, real estate management and urban development has generated a 'cascade effect' for magnetising the capital into the city and determining Milan's primacy in the Italian real estate landscape, transforming it into a global node within the urban global network, despite its relatively small size.

Overall, this research project assumed an interdisciplinary approach, drawing from urban planning, geo-economics, and real estate studies, to provide a comprehensive framework for understanding the financialisation complex in Milano. The insights achieved by observing how global investments are channelled into the Milanese urban market confirm how institutional players strategically deliver capital investments over urban nodes (Holm et al., 2023).

To conclude, the financialisation of real estate assets appears to be designed to establish a form of hegemony within the property sector and urban governance patterns, raising the necessity to pursue policy measures for reinforcing urban sustainability, equity, and resilience. As Jessop (2016) points out, market-oriented strategies represent an incomplete attempt to reconcile social contradictions, often resulting in ambiguity with respect to legitimacy, politicisation, and performativity. In Milan, such ambiguities are reflected in the tension between the attraction of global investment and rising social polarisation, as a growing share of the population is expelled from the city to the wider metropolitan region. These dynamics are caused by multiple phenomena, but local governments can potentially do more to prevent the negative effects of financialisation and further findings of this research will offer practical insights into navigating these challenges in Milano and similar urban contexts worldwide.

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