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ABSTRACT:

Focusing on the recent growth of Real Estate Investment Trusts (REITs) in Brazil, the paper explores how financializing policy instruments intertwine financial markets and the urban built environment. The paper studies the career of REITs in Brazil since the 1990s and questions the role of financial market actors and capital in urban dynamics. It uncovers three processes that are usually considered separately: i) how a network of public and private financial market actors coaxes state bodies into using their socio-legal regulatory powers and financial resources to transform real estate into an asset class; (2) how the government-run financial market authority and retail banks lure wealthy urban households into investing their savings in so-called liquid real estate through marketing and education campaigns; and (3) how asset management companies are "applied economic geographers" (Lee, 2002, p. 347) insofar as they channel households' pooled capital into a selected range of cities and properties . The active role played by financial market actors in the design, enhancement and implementation of such a financializing policy instrument leads us to conclude on their role as urban policy-makers.

Key-words: Real Estate Investment Trusts; Financializing Policy Instruments; Urban Dynamics; Financial Markets; Brazil.

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Financialization matters to urban geography notably because financial markets reach out to a proliferating number of objects and actors associated with the production, operation and consumption of the urban built environment. Part of the scholarship explores how the rationalities, instruments and calculative practices associated with financial markets affect urban dynamics by analyzing what we call hereafter *financializing policy instruments* (FPIs). A tentative list of FPIs related to the built environment would include: Public-Private Partnerships that turn urban infrastructure into investment products; schemes sold to institutional investors to finance urban re-development and based for instance on additional building rights or tax increments; securitized real estate debt such as Residential and Commercial Mortgaged-Backed Securities; securitized property ownership like private equity real estate or, as this paper will investigate in Brazil, Real Estate Investment Trusts (REITs).

Like other policy instruments, FPIs are sociotechnical devices that "organise specific social relations between the state and those it is addressed to" (Lascoumes & Le Galès, 2007, p. 10). As such, and following Du Gay et al. (2012), FPIs can be considered as "government devices" that, comparable to Abbott's "hinges", succeed in bringing together the distinct "ecologies" of governments and financial markets (Abbott 2005, quoted in Du Gay et al., 2012, p. 1096). Under certain conditions that lead to "ecological dominance" (Jessop, 2007, quoted in Du Gay et al., 2012), we argue that such policy instruments are financializing because they entail the adoption of the viewpoint, calculative practices and valuation techniques of financial markets. In other words, FPIs are "not neutral devices" (Lascoumes & Le Galès, 2007, p. 3): when they target the financing of the urban built environment, they constitute institutional arrangements that conform the particular ways in which properties and land are transformed into an asset class.

There remains to explore the historically and geographically situated social career of FPIs in late-stage capitalism as they are continuously crafted and maintained by financial market organizations and states, and to consider the implications on power relations and their effects onto urban spaces. The hypothesis is that, far from being passive agents, such financial market actors are full-fledged urban policy-makers since they intervene all along the policy-making process: at the initial stage of policy design, during the numerous adjustments that occur throughout the lifetime of a policy instrument, and in their day-to-day implementation which includes the pooling of investors' capital and its allocation into selected cities and buildings by asset managers.

The first section analyzes the literature on financializing policy instruments and their relation to the built environment. A second one develops the interpretative framework of the study while the third exposes its research protocol. The three following sections each highlight a facet of the role played by financial markets actors (continuous policy design, fund raising, and capital allocation) through the study of Brazilian Real Estate Investment Trusts. We then conclude on how such actors are fully-fledged urban policy-makers and reflect upon the generalization of this interpretation to other national configurations.

1. Financializing policy instruments and urban dynamics

Urban geography has long been concerned with the role of financial and credit circuits in urban dynamics (Harvey, 1982). After the global financial crisis, scholars have increasingly set out to scrutinize how financial markets actors and capital have extended their accumulation practices to the extraction of land rent. They consequently explored the "financial infrastructures" through which *capital markets* provide equity and debt to the creation, transformation and ownership of the built environment (Halbert & Attuyer, 2016).

The role of financial markets in the financing of the built environment is obviously not a novelty. Think for instance of 19th century Western urbanization, which depended *inter alia* on joint stock property companies, bonds for builders, municipalities and utility firms, or the direct ownership of properties by institutional investors and bank-backed real estate companies. Yet, the interventions of financial markets in late-stage capitalist urbanization take specific forms and outputs. They reflect political-economic and sociotechnical evolutions that foster financial devices which transform spatially fixed income streams associated to the extraction of land rent into tradable titles as is the case with securitization (Gotham, 2006). Here too such techniques have a history: the securitization of debt was temporarily experienced in the U.S. in the 1930s, but became more widespread only in the 1980s following the crisis of the savings-and-loans system (Gotham, 2009). Similarly, forms comparable to Real Estate Investment Trusts were experienced in the 19th century in the Western world (U.S.: Kelley, 1998, p. 1-2; France: Lescure, 1980). They nonetheless became an asset class only in the last three decades (Stevenson, 2013).

In spite of their variety, those devices all contribute in bringing together financial markets and processes of capital accumulation based on urbanization, thus exposing urban dynamics to the rise of "asset manager capitalism" (Braun, 2016). Indeed, selected elements of the urban environment, and some of its dominant actors like land and property developers, have become investment products sold by financial intermediaries like investment banks, and administered by specialized asset managers. The urban studies community has now amply charted the multiple elements of the built environment engulfed by financial markets as the latter provide equity and debt: infrastructure provision and ownership (Allen & Pyke, 2013; Torrance, 2008); land acquisition and assembling (Savini & Aalbers, 2015); land transformation and large-scale development projects (Beswick & Penny, 2018; Guironnet et al., 2016; Klink & Stroher, 2017; Theurillat & Crevoisier, 2014; Weber, 2010); property development, including the financialization of developers themselves (Sanfelici & Halbert, 2016); property ownership, from commercial real estate to social housing, multi- or single family rental housing and purpose-oriented buildings (Fields & Uffer, 2016; Guy & Hennberry, 2000; Wainwright & Manville, 2017); the recycling of assets (Beswick et al, 2016; Byrne, 2016).

Thanks to evidence-based research that explore the context and restructurings associated to the unfolding of such devices, scholars have discarded a fetishizing view that would caricature the financialization of the urban built environment as the mere output of putatively overarching global financial forces (Gotham, 2016). What remains under study are those *financialized* "financial infrastructures" (Halbert & Attuyer, 2016) which hinge together financial markets – a set of actors, rationalities, representations, and instruments influenced by a specific financial valuation convention (Chiapello & Walter, 2016) – and elements and actors of the urban environment. And yet, paradoxically, financializing policy instruments are more often than not kept in the background of many urban studies.

On the one hand, some works focus on the political-economic context, especially by looking at the role of the multi-sited state in the design, implementation and regulation of the interdependencies between financial markets and the built environment. Acquainted with the idea that financialization is fostered by a process of "re-regulation" (Konings, 2009), they point out how financializing policy instruments stem from a macro political-economic shift towards financialized accumulation (Boyer, 2000) – a shift that may be recurrent in capitalist history (Arrighi, 2010). This is sometimes described as a "policy project" (Christopherson, Martin & Pollard, 2013) that ruthlessly opens the financing of economic activities to financial re-intermediation (Froud et al, 2002). But it may also be more incidental as it grows along with the commodification of land and properties and context-specific experimentations with neoliberal policies (Fields & Uffer, 2016). What matters however is that in all cases, the state is key as it creates and continuously enforces the socio-legal regulatory environment necessary for financial markets to unfold (Gotham, 2016). The U.S. offers extant illustrations starting with Residential Mortgage-Backed Securities (RMBS), arguably the most debated FPI due to its catalytic effect in the global financial crisis (Ashton, 2009). Not only has the Federal government's role been observed as early as the New Deal administration, but from the 1960s onwards, it is government-sponsored enterprises that became the linchpins coupling capital markets and individual property ownership via securitized debt (ibid.; Carruthers & Stinchcombe 1999). REITs do not differ: here too, the trading of real estate property rights on financial markets that they permit relies on state's regulatory powers which provide the supportive financial and fiscal conditions that gradually rendered them attractive to institutional investors and households (Gotham, 2006, p. 264 onwards).

On the other hand, research adopting an urban political economy framework have rightfully shown how influence of financial markets over urban production occurs "in and through cities" (Gotham, 2016, p. 1367). This view has prompted in-depth analysis of how financial market actors interact with the usual suspects of urban production, starting with developers that supply them with invested assets. This extends to real estate brokers and legal professional services that enable capital to circulate across scales and spaces by "filtering away" the risks associated with local property markets (Halbert & Rouanet, 2014). It expands to local governments, which can be "the most noteworthy agent of property financialization" when they support the reproduction of financial "asset assembly lines" (Weber, 2015, p. 144; see also Guironnet, 2016). Those works explain how finance capital is "anchored" into cities (Theurillat & Crevoisier, 2014) and allow to re-embed finance as it "unfolds in the very localized and humanly scaled settings of (a city)'s particular institutions and professional networks" (Asthon et al., 2016, p. 1390).

In both lines of works, FPIs are in most cases acknowledged as key elements, but seldom considered *per se*. It is only in a limited number of instances, and mostly in Anglo-American contexts, that FPIs received in-depth attention, usually because they are set up and/or put to use by local governments themselves. This is the case of some Public Private Partnerships dealing with the provision of urban services (Allen & Pryke, 2013; Ashton et al, 2016; Torrance, 2008) or of financing tools like Tax Increment Financing, redevelopment bonds, or municipal bonds (see respectively, Weber, 2010; Gotham, 2016; Hackworth, 2002). In these cases, actors belonging to financial markets, like rating agencies, investment banks or institutional investors, play a growing role in shaping urban policies (*ibid.*). It is with this literature in mind that we developed a theoretical and analytical framework that includes recent advances made in the analysis of policy instruments.

2. Financializing policy instruments: what they are and how they can be studied

Following the typology of policy instruments provided by Lascoumes and Le Galès (2007), "economic and fiscal instruments (…) deriv(e) their force and legitimacy from having been developed on a legal basis" and "use monetary techniques and tools (…) to direct the behaviors of actors (through subsidies or allowing deduction of expenses)" (ibid., p. 12-13). *Financializing* PIs like REITs belong to that subcategory and like any policy instruments are "not neutral devices: they produce specific effects, independently of the objective pursued (the aims ascribed to them), which structure public policy according to their own logic" (*ibid.*, p. 3). Take the case of urban India (Rouanet, 2016). The regulations imposed over the last 15 years by Federal state bodies (the Reserve Bank of India, the Securities Exchange Board of India) onto permitted investments partly explain the focus on large-scale developments of most financial market-backed real estate projects. However, this policy had unexpected outcomes: it fueled the concentration and geographic expansion of a limited number of developers; it also thrusted an unplanned concentration of investments into selected metropolises. Likewise, in the U.S., the Gulf Opportunity Bonds, which were designed by the Congress to attract institutional investors in disaster-stricken areas, had relatively autonomous effects as they supported mostly larger-scale projects in the least disaster-stricken areas (Gotham, 2016).

These discrepancies underline how the state's ability to redefine the "relationship between the governing and the governed" through policy instruments (Lascoumes

& Le Galès, 2007, p. 3) is always embedded in a wider set of relations. If all FPIs require multi-scalar state powers and resources (regulatory, fiscal, financial, administrative), the "state" is obviously not an isolated, bounded entity that could be separated from social groups, including for our matter those organizations and individuals having interests in, or pertaining to financial markets. Rather, the conversion of state powers to supporting financial market-based circuits of capital is a disputed process (for an illustration, see O'Sullivan 2007). In all cases, financial market actors may play an active, if "discreet", role (Huault & Richard, 2012, p. 3) as they attempt to enroll different state bodies (Parliaments, Tax administration, etc.) and to capture their resources.

Among them, and as touched upon with the Indian example above, *public* financial institutions like financial market authorities may be important. Firstly because they hold statutory powers of their own and which can be used to regulate and promote financial markets. Secondly because their position within the state apparatus grants them access to governments and other parts of the public administration. As such, and although FPIs may be considered as "hinges" or "government devices" that bring together actors having different worldviews (Du Gay et al., 2012), one should be wary not to bluntly oppose governmental and financial markets ecologies, if only because some organizations straddle them. *Private* financial market actors themselves may also be key in shaping FPIs: if they need governmental support to enhance favorable conditions, they, in turn, bring to governments promises of capital inflows into the urban built environment. Backed by real estate lobbies looking for fresh capital, financial market actors may thus put forward multiple motives to legitimate increased recourse to financial markets, such as: enhancing balance of payments; creating jobs in the real estate sector; modernizing cities or tackling housing shortage. The state is thus a disputed, porous and interdependent set of entities that public and private financial market actors may ceaselessly attempt to enroll.

That being said, one should equivalently be wary not to grant too much nominal power to a policy instrument. Before it can bear any (ascribed or unexpected) effect, a policy instrument first needs to be put to use. If U.S. REIT policy dates from 1960, it took no less than three decades to transform it from an empty socio-legal shell sitting on public administrations' shelves into a widely disseminated financial product (Stevenson, 2013). It is thus important to analyze FPIs as historically, geographically, and socio-technically processed tools. This leads us not only to study the continuous conversion of state actors by a network of public and private financial institutions but also to explore the *implementation* of FPIs, in particular the mundane practices of those organizations and individuals that transform objects of regulation into existing asset classes.

This paper sets out to uncover the active and multifarious role played by financial market actors who contribute to the creation, dissemination and continuous maintenance of a financializing policy instrument that intertwines financial markets and urban dynamics in the case of Brazil. This echoes a burgeoning literature on Brazilian urban dynamics concerned with the increased interdependencies between capital markets and the built environment (see, among others, Fix, 2011; Klink & Denaldi, 2014; Klink & Stroher, 2017; Royer, 2009, Sanfelici, 2013; Shimbo, 2012). By so doing, we seek to uncover how public and private networks of financial market actors affect urban dynamics by the circulation of their own rationalities, representations, and calculative practices. The overarching hypothesis is that in specific national and local institutional configurations, they become fully-fledged urban policy-makers involved in: i) the design and constant readjustment of the socio-legal regulatory environment that underpins financializing policy instruments; ii) the raising of capital; iii) its allocation according to their own investment criteria which follow highly selective patterns in terms of location, uses and users.

3. Research protocol

The research protocol is based on a three-pronged methodology spanning the study of policy networks, the sociology of markets and the political-economic analysis of urban dynamics – illustrating if further need be the necessity to go beyond disciplinary boundaries. Firstly, to test whether financial market organizations have played an active role in the making of a socio-legal regulatory environment conducive to the transformation of the urban built environment into a bundle of assets, the research explored the mobilizations of public and private financial institutions. And this both at the nascent stage of the policy instrument and during its continuous adjustments. Secondly, we probed how financial institutions have lured households having a pecuniary surplus, and thus sourced the capital necessary to animate a policy instrument that would otherwise idly sit on parliamentary shelves. This means to study the "work of realizing markets", and how financial actors supported the "making of an asset class" (Fields, 2018), here by designing and circulating tailored representations, narratives and imaginaries to targeted investor-clients. Lastly, the protocol focused on the role that financial market actors play in actively channeling and allocating pooled capital into the urban built environment. Following the idea that they can be true "applied economic geographers (…) that construct geographies" via their investment decisions (Lee, 2002, p. 347), this implies a study of the investment practices of asset managers.

This paper analyzes the career of Brazilian REITs known as Fundos de Investimento Imobiliário (FIIs). Created by law in 1993, these are property investment vehicles whose shares are traded either on stock markets or over-the-counter and which receive corporate and income tax advantages as long as 95% of the benefits are distributed to shareholders. The research relied on mixed methods: simple statistical computations and cartographic mapping; an analysis of a multi-source documentary corpus; and semi-structured interviews.

Following the research protocol explained above, we first engaged in a longitudinal analysis of FIIs' regulatory framework, including its evolutions since the 1990s, its main protagonists, and their rationales. This was predominantly based on the legal documentation of state bodies like Congress bills and rulings of the CVM, the Comissão de Valores Mobiliários, which is the Brazilian financial market authority. It also included the available minutes of the debates that occurred in plenary sessions or in specific commissions at the Parliament, and in other state arenas like the public hearings organized by the CVM. This corpus was cross-analyzed with the information collected during our interview campaign (see below) as we systematically questioned the contribution of our interviewees' organizations in policy-making. Although not all claimed to have had a direct role, they shared some information on the main actors, points of discussion and contention, at least for the most recent period.

Secondly, the research focused on the financial actors that sell FIIs to investor-clients. Because the available documentation prior 2005 remains scarce, we mostly relied on the economic press to map the early promoters and investors. Some interviewees helped us fill in the gaps, in particular on the growing involvement of retail banks in the 2000s. Data on the spread of FIIs is more important in the last ten years. This includes the public documentation provided by the CVM, by the financial institutions that sponsor and manage FIIs, and by private consultancies counseling households via dedicated websites. We systematically stored and analyzed all the online and offline advertisement materials we encountered; we also used some of the secondary data found in the documentation gathered by private consultants to describe the investors active in so-called liquid real estate. Our interview material, and in particular our interviews with executives from investment banks and from third-party asset management companies further helped describe the characteristics of investor-clients. It also enabled us to analyze how financial institutions anticipated the supposed expectations of the wealthy urban Brazilian households they targeted.

Lastly, the research explored the everyday allocation of capital by asset managers. Here again we used a combination of mixed methods and multiple sources since the documentation remains highly fragmented. Based on the mandatory prospectuses provided by listed FIIs, we first created a database on the location and specifications of invested properties. The consistency was controlled by confronting our results with the descriptions offered by some private consultancy firms (e.g., Uqbar reports). This enabled us to propose a mapping of the location of the assets owned by listed FIIs and to provide simple statistical descriptions of investment patterns, in terms of real estate segments, buildings specifications (architecture, size), and typology of their main tenants. To gain a better understanding of the rationales underpinning investment decisions, we undertook a systematic reading of the general and specialized economic press (*Valor Econômico, Exame, Istoé Dinheiro, InfoMoney*) and related specialist publications like *Investidor Institucional*. We also amply used our interview material which was collected in two phases by one of the authors, first in 2014, and then at the end of 2016 and beginning of 2017. All in all, 16 one to two hour-long interviews were conducted. This includes one public agent at CVM, three lawyers specialized in the financial industry, a financial advisory consultant, two brokers, nine asset managers, including three from large public pension funds. The themes of discussion covered the three aspects of the research: the policy design of FIIs; the characterization of investor-clients and the strategies to promote FIIs; the actual investment practices. This general scheme has been adapted to each interviewee depending on their area of expertise and longevity in the field. The three next sections present our main findings.

4. Converting the state

It remains difficult to retrace the early days of the Brazilian REITs, and for our purpose the role played by public and private financial market actors in their creation[i]. What is ascertained is that since the early 1990s the Federal state has used its regulatory powers to establish the rules governing the creation and management of FIIs and to foster their growth through fiscal incentives. This was not a one-way, top-down initiative: the creation and expansion of FIIs was achieved through sustained, and at times, conflict-ridden interactions involving a wide range of public and private actors, such as *inter alia* public agencies, government departments (including the Tax Department), the Parliament in plenary formation or in commissions, financial institutions, business associations, independent consultants, and law and audit firms. Echoing similar observations in other national contexts (Waldron, 2018 on Irish REITs; Rouanet 2016 in India), this policy network is thus partly tied to real estate interests and to financial markets actors who contribute, albeit discreetly, to elaborate a form of "joint regulation" (Huault & Richard, 2012) that paves the way to capital inflow into the Brazilian built environment.

The law n. 8668, approved in 1993, is the cornerstone of FIIs. Proposed by the Ministry of the Economy in 1991, it was passed at a moment when Brazil was reeling from a decade-long slowdown in GDP growth combined with intermittent bouts of hyperinflation. Elected in 1989 with a mandate to dismantle the developmentalist state's import-substitution model, president Fernando Collor embraced an agenda of liberal reforms consisting in the privatization of state enterprises, the liberalization of trade and, more importantly for our matter, the deregulation of international financial transactions (Sallum Jr, 2011). Explicitly inspired by pioneering initiatives in the U.S. and Europe (Senado Federal, 1993), FIIs were thus in line with the Collor reforms given their alleged potential to strengthen Brazil's financial markets and attract foreign investments.

A closer look at the rationale put forward by the government to garner support from Congress shows that it was not solely geared towards promoting financial markets. In the draft submitted to Parliament, FIIs are presented as a "key instrument to the improvement of the construction sector, itself relevant to the economy because of [...] job creation [...] and because it uses predominantly domestic inputs" (Senado Federal, 1993, p. 17). The proposal letter also states that FIIs could support developmentalist goals by generating funding to "longer-term projects such as commercial buildings, shopping malls, hotels, [...] residential developments, [...] and even infrastructure projects [...] such as ports, airports, parking facilities, warehouses, etc." (*Ibid.,* p. 23). A similar reasoning was advanced in different special commissions in Parliament which discussed the bill, such as the Commission of Justice, the Commission of Budget and Taxes, and the Commission of Transport, Urban and Rural Development. After proposing minor amendments to the draft, the latter commission gave its support to the legislation on the grounds that FIIs would help increase funding to the real estate sector and would thus contribute "to solving the housing problem" (*Ibid.,* p. 90). Note, in passing, that apart from this very general statement about housing finance, the Commission of Transport, Urban and Rural Development had paradoxically little to say regarding the potential impacts of FIIs on urban development *per se*, as if it were first and foremost an economic development tool devoid of urban consequences.

This lack of specification with respect to the types of urban dynamics that FIIs could finance and to the broader urban and social development goals they should serve would find reflection in the content of the 1993 law itself, since it essentially creates a property investment vehicle whose shares can be traded either in listed markets (stock exchange) or over-the-counter. Shareholders' revenues are generated through the fund's investments in the development, rental or sale of land and buildings, in addition to the occasional capital gains that may accrue through the re-sale of shares. It is thus a clear example of the state wielding its regulatory powers "to create liquidity out of spatial fixity" (Gotham, 2009). The state also granted considerable tax advantages to prop up the profitability of investments: FIIs are exempt from corporate and other taxes on their revenues (though taxes on distributed profits were still due in the beginning). Interestingly enough, the final text of the legislation defines FIIs at a very general level as a "pool of resources [...] to be applied in real estate projects" (Art. 1), thus refraining from specifying any urban elements – segments (commercial, residential, infrastructure, etc.) and types of buildings – that should be favored, and whether some social groups should benefit from such buildings. By keeping the legislation unspecified, policy-makers shifted away real estate from urban considerations towards treating it as a financial product deemed to support macro-economic objectives like boosting economic growth and financial markets. A perspective that was fully supported in 1994 by the CVM, whose mandatory ruling officially launched FIIs.

However, very few FIIs were created in the first years. Some interviewees suggest that there may be a maturation period before actors take advantage of a new financial tool. But we see two more fundamental reasons. The macro-economic scenario was far from being supportive throughout the 1990s. The low growth and high unemployment rate did not help the formation of pecuniary surpluses, while high interest rates meant that investing in sovereign bonds ensured high yields with low risk levels, a situation that held back investments in private securities like FIIs. Consequently, a substantial share of the few FIIs that were set up in the 1990s was the initiative of property developers who realized that these vehicles could be used as a tool for tax optimization. They would thus set up a Real Estate Investment Trust to develop a new project of which they remained the sole investor. A lawyer that has long worked for asset managers declared to us about FIIs up to 1998: "almost 100% was froth; there was no consistency as a vehicle in the stock market".

This prompted the government to act in order to close this loophole. Passed in 1999, the law n. 9779 asserts that "Real Estate Investment Trusts [...] that apply resources in a real estate project whose developer, builder or partner owns [...] more than 25% of the fund's shares are subjected to taxing" (Art. 2). This measure banned developers' strategy of setting up FIIs as shell companies to benefit from tax exemptions in their projects. It was an important step in turning FIIs into financial assets by forcing a more diluted shareholding structure.

The Federal government also worked to tackle a second obstacle: the lack of demand for FIIs' shares. If the CVM recognizes to having always regularly discussed with the Tax Department and the ministry of Finance on all issues pertaining to financial markets, it is at this point in time that we can more firmly ascertain the presence of financial actors in lobbying the Federal government to grant these incentives, especially given the declining interest rates and more sustained economic growth in the 2000s. As explains an asset manager who participated in a special commission in the Bovespa, the Brazilian Stock Exchange to discuss the relaxation of some taxes that applied to FIIs:

> It was a struggle in this commission that I took part in the stock exchange. The Tax Department still classified Real Estate Investment Trusts as "fixed-income", but it is not, it is variable income. And there was a levy [...] of 20%. We [...] argued with the Tax Department and with CVM to obtain an exemption [...] for the monthly distribution [of profits], so that the product and the market would grow, because we saw at the time that [...] Investment Trusts would build more property, would generate jobs in the construction sector, in manufacturing, in logistics [...]. In other words, it was about development, and this was a war that lasted [...] from 1996, 1997 [...] until 2003 or 2004, [...] a war waged with the Tax Department.

It thus took no less than 6 to 7 years of hard-fought discussions before the Tax Department and the government were finally converted to extend the state's fiscal powers for the benefit of FIIs' shareholders. The 2004 Law n. 11.033 states that "revenues distributed [to private individuals] by Fundos de Investimento Imobiliário whose shares are traded in the stock exchange or over-the-counter are exempt from income tax". The 2005 law n. 11.196 complements the latter by specifying that conditions are only applicable to FIIs that "have at least 50 shareholders" and will not be granted to investors that "own 10% or more of the total amount of shares issued" – a requirement that helped generate an even more diluted shareholding structure in FIIs and thus to foster the "liquidity" – arguably a key feature of any financial market product (Carruthers & Stinchcombe 1999). These two laws highlight the conflict-ridden and highly processual dimension of forging financializing policy instruments.

Yet, despite these advantages and the improving economic scenario, the number of FIIs created remained relatively flat over most of the decade (see Figure 1). This sluggishness encouraged once again a network of public and private financial market actors to overhaul the FIIs' regulatory framework set up by CVM's ruling in 1994. Here, the CVM itself played a critical role. Between 2007 and 2008, it initiated a formal consultation process around a series of public hearings over a set of propositions it had addressed to financial market actors. Echoing CVM's mandate of "supervising, ruling, disciplining and developing the securities market in Brazil", two objectives are discernible in the draft we consulted. Firstly, the protection of individual investors (households) by a set of new rules limiting leveraging, improving transparency to shareholders, curbing potential conflicts of interest by managers, and giving more power to shareholders in key investment decisions. Secondly, the promotion of financial markets thanks to measures improving the liquidity of FIIs shares, like the permission for the setting up of "funds of funds", and the simplification of bureaucratic requirements for creating new FIIs.

The minutes of the public hearings summoned by CVM reveal how a series of financial market actors were invited to give their word on key proposals and that CVM often accepted them (although not always). Among these actors were domestic and international banking and financial market associations, such as ANBIMA, the Brazilian Association of Entities of Financial and Capital Markets ; individual financial organizations, both private ones like the investment banker Morgan Stanley and public ones like the Caixa Econômica Federal (bank) and Previ (pension fund); and finally domestic law firms and an international auditing firm, PriceWaterCoopers, who is currently the main auditor of FIIs. In sum, the Ruling 472 issued in 2008 is the product of a public and private network of financial market actors supported by the legitimacy granted to the Brazilian financial market authority (CVM) which brings together the ecologies of financial markets and the state due to its direct access to the central state's administrations.

Further steps to broaden FIIs' investment base were taken in the following years: in 2009, the Central Bank, here again a public financial institution, reclassified FIIs as structured securities, thus allowing a larger share of pension fund's portfolios to be allocated in these vehicles. And in 2013, the government itself scrapped a tax (Imposto sobre Operações Financeiras – IOF) levied at a rate of 6% on foreign investors in FIIs to encourage more capital inflow.

All in all, the concerted effort made by this network of public and private financial market actors has gradually given rise to a public policy that, though directly concerning the production and ownership of the urban built environment, is paradoxically hollow in terms of urban design and urban development goals. In spite of the rationales put forth in Parliamentary commissions stressing the potential role of FIIs in financing urban infrastructure and housing, the urban built environment predominantly serves as an underlying asset for financial market investors seeking to directly or indirectly increase their savings through urban rent extraction. Our analysis reveals the processual dimension attached to the making of such a financializing policy instrument. Far from being a tool forged once and for all, Brazilian FIIs are constantly reassembled to integrate evolving macro-economic contexts and adapt to actors' own agendas and priorities, and in which the CVM played a key intermediary position.

5. Luring retail investors

Despite these socio-legal changes and fiscal incentives, the number of FIIs created throughout the 2000s remained relatively low. Two favorable evolutions explain their growth from 2010 onwards (see Figure 1). Firstly, the macro-economic scenario changed: after 2011, interest rates on sovereign bonds gradually declined and stimulated a frantic search among investors for higher yields in alternative securities. Secondly, from 2010 onwards retail banks and some independent investment houses gradually pictured FIIs as a new source of revenue, thus working to scatter them more widely across their client-base. In practical terms, therefore, while lower interest rates were an important enabling financial condition for the growth of FIIs, these vehicles grew thanks to the active role played by a series of selected retail banks. It is through their distributional infrastructure and thanks to marketing strategies based on households' supposed attachment to real estate ownership that they kick-started a policy instrument in which no less than three quarters of invested capital for the period 2009-2013 come from households according to the professional capital market association ANBIMA.

Figure 1 – Number of FIIs and value of property assets

Source: CVM.

We observe that many retail banks in Brazil used their existing middle and upper-income retail infrastructure to distribute FIIs to a wider, yet selected, public. This includes private banking, whose clients must have at least BRL 1 million in deposits (approximately USD 300,000 in 2017). It also includes intermediary branches for those who either earn a monthly wage above R$ 8,000 (approximately US$ 2,500) or have more than R$ 100,000 in deposits [approximately US$ 30,000]. Using the threshold of R$ 8,000.00 defined by most banks to grant access to their higher income branches (Ribeiro, 2016), this would amount to a potential 5.5 million individuals, only 4,3% of Brazil's adult population. An asset manager at Banco do Brasil explained the importance of urban elites as shareholders, since FIIs are mostly marketed to wealthy households concentrated in the country's four largest cities.

If the distributional infrastructure of specialized retail bank branches is necessary to promote FIIs to households, it also requires an effort by public and private financial market actors to legitimate so-called liquid real estate towards households. In view of its dual mandate to protect shareholders against potential mismanagement and to support the growth of financial markets, CVM took several actions. Firstly, it raised the requirements of information release for new FIIs. The aforementioned 472 Ruling (2008) imposes that FIIs' statutes contain detailed information among others on: the fund's investment policy, the manager's autonomy and responsibilities in carrying out the policy, the rules for shareholder assemblies, whether there will be future share issues or not, the duration of the fund. Secondly, CVM engaged in an this education-cum-promotion endeavor. It published a "Guide for Investors" in 2012 which summarizes all relevant information about FIIs and provides recommendations for investors (such as making sure brokers and managers have provided all relevant information before signing into the fund). It also makes use of social media, for instance via videos and other materials on the page "CVM Educacional". In one of video, a manager at CVM explains what are FIIs, the different types of funds, the risks involved and how returns are distributed to investors (CVM Educacional, 2015).

Several private financial market actors also published similarly simplified materials with information about how FIIs operate, where their revenue come from, what risks are involved, how they are taxed, and so on, as was the case of the report issued in 2014 by ANBIMA and of a "Guide for Investors" issued in 2012 by the private consultant Uqbar. Press coverage has equally grown in tandem with the rising number of FIIs. Depicting them as a good investment option, they often attempt to educate potential investors on issues like risk, liquidity, profitability, tax rates, and so on. Finally, as the value of shares and the number of FIIs grew, a few ad-hoc websites, such as Clube-FII, were created by consultants to provide real time information on share values and investor assemblies dates, and to explain its advantages, as well as to offer investment counseling.

Our analysis of the educational-cum-advertising material, together with the information obtained through interviews, suggests that retail banks have attempted to leverage the long-standing prestige that property ownership enjoys among households in Brazil to attract savings to FIIs. Real estate ownership is a deeply ingrained institution whose social-political construction can be traced back to colonial and oligarchic times in which landownership has provided privileged access to political power; in a country frequently rattled by hyperinflation and economic instability, it is also considered as a safe haven by households for protecting their wealth (Marques, 2016). Furthermore, government policies continually revive this representation by stimulating homeownership through subsidized credit, as is illustrated by the recent Minha Casa, Minha Vida program (Cardoso, 2013).

Financial market actors aptly re-enacted this attachment to real estate. Instead of benchmarking FIIs with other financial securities, as institutional investors attuned to financial theory would expect, sales pitches compare their advantages over brick-and-mortar property, emphasizing flexibility, liquidity and the availability of expert management. A manager at a major brokerage firm explains, not without a rampant culturalist and gendered take:

> Brazilians have much of an Iberian tradition: he likes to own property, [with] the title in the drawer he feels safe. But with the real estate fund, he also has the title, only it is fractioned. He has the possibility of owning the half-floor of a triple-A building […]. So this change [of mentality], of showing him that, instead of having the title in his drawer and having to manage his property – whether the tenant paid or not, if he vacated the premises and it remained empty for six months, which are all costs... with the FII, he does not have to worry […] because he knows someone is taking care of it for him, he earns net [revenues], in addition to sharing risks […] This was a long and slow process [of educating].

Financial actors have thus capitalized on a socially and politically constructed relationship between households and real estate ownership to persuade individuals to become, as explained by an asset manager, "savvy financial investors". In this process the relationship of households to property evolved as real estate is transformed into an investment product traded in financial markets. This contributes to a redefinition of the ways households relate to "land as a financial asset" (Harvey, 1982), from direct brick-and-mortar property ownership to financial market-mediated ownership and whose rationalities correspond to those in use in financial markets.

6. Financial market actors shaping urban geographies

Retail banks and other financial organizations have been successful in attracting wealthy urban households. The number of investors in FIIs jumped from 36,000 to more than 100,000 between 2012 and 2013 (Polo, 2014). Asset management organizations have thus found themselves at the helm of a pool of capital to invest in real estate amounting BRL 60 billion in 2016 [16 billion USD in 2018]. Thanks to the leeway provided by the unspecified regulatory framework in terms of investment targets, they have free rein to select the assets in their portfolios. In association with local systems of provision[ii], they are contributing to shape the dynamics of selected city-regions.

This is first illustrated by looking at how asset managers have narrowed down the wide-ranging investment possibilities opened up by the law to a very limited number of real estate segments. Interestingly enough, given the numerous references made by both government and private actors to Brazil's housing shortage as grounds for promoting FIIs (see section 4 above), investments in housing have been scarce and restricted to self-liquidating development projects sold to wealthy households. Similarly, and against the expectations of the Ministry of Finance and the Parliamentary commissions involved in the approval of the 1993 law, this financial product was not channeled towards the financing of transport and social infrastructure, with the exception of a few private hospitals and university facilities. On the contrary, the vast majority of investments have been concentrated on office buildings and shopping malls, and more secondarily on logistic facilities (See Figure 2)[iii].

Figure 2 – FII distribution by segment (market capitalization in 2013)

Source: Uqbar (2014).

Asset managers have also handpicked specific types of so-called class-A buildings. In the office segment, these are often high-rise corporate towers where tenants typically rent full floor plans. The buildings are commonly fitted with amenities such as central air-conditioning, optical fiber cabling, and surveillance cameras, as well as services such as valet parking and private security teams like we observed at the Eldorado Business Tower in São Paulo, which is partially owned (69%) by the BTG Pactual Corporate Office Fund. As for shopping malls, they are usually large-scale retail spaces targeting higher income households, like Shopping Pátio Higienópolis in São Paulo, the first to having been owned by a FII.

Asset managers' selectivity is also illustrated in terms of the geographical location of investments, making them true "applied economic geographers (…) that construct geographies" (Lee, 2002, p. 347). At the national scale, investments concentrate in São Paulo and Rio de Janeiro (Figure 3); at the intra-metropolitan scale, a similar concentration is observed with specific patterns for each segment: office buildings in these two cities' business cores; shopping malls in middle and upper income residential areas; logistic facilities at major crossroads and economic hubs like ports. Managers claim to be simply responding to demand factors, or that they wish to reassure investor-clients by concentrating investments not far from their own home place. However, our interview material reveals that they actively select locations following their own functional and financial logics. One former Citibank asset manager explained to us that most managers invest where their own offices are located to reduce transaction costs:

> If you tell me "let's erect a building in Recife" [Northeast], this requires some preliminary study of how that city developed, of the projects by the city council, etc, which is way easier to do in the region you already have some previous knowledge.

Figure 3 – Distribution of property assets owned by FIIs

Source: data compiled by authors from funds' reports.

Finally, this marked selectivity affects the selection of tenants. An asset manager at Rio Bravo justifies a bias toward "class-A assets" because "class-B and class-C property commonly have tenants with higher risks of default". The reports issued by FIIs demonstrate that large multinational and domestic firms are preferred tenants. BC

Fund, a FII managed by BTG Pactual bank that owns more than BRL 2 billion [USD 600 million] worth in real estate, declares tenants like Samsung, LinkedIn, General Motors, Santander, Volkswagen, as well as large domestic firms such as the state oil company Petrobras and the real estate group Alphaville. Similarly, Kinea Renda Imobiliária II, a fund managed by Brazil's largest private bank (Itaú), hosts Xerox, American Airlines, Kimberly-Clark and Foxconn, as well as large domestic firms such as Renner (retail), Magazine Luiza (retail) and Banco do Brasil. Although this may reflect an attempt to seduce investor-clients by showing off what are called in asset managers' jargon "signatures", it also reflects, in our view, how real estate is managed in such a way as to replicate blue chip corporate bonds –not by the provision of debt but through the transformation of commercial property leases in regular revenue streams secured by signature clients. All in all, this multiple forms of selectivity illustrate how FIIs are policy instruments that are not neutral but have effects of their own which are shaped by asset managers through their daily operations.

Conclusion

With the analysis of Fundos de Investimento Imobiliário, this paper has retraced the social career of a financializing policy instrument which gradually led to deepening the interdependencies between real estate property and financial markets in selected Brazilian city-regions. The evidence gathered suggests that financial market actors are key in the creation, evolution and implementation of this Federal state policy instrument to which they give a social and urban content through their daily investment practices. The paper first demonstrated how a network of very active, if discreet, public and private financial market actors coaxed various state bodies and participated in a form of "joint regulation" (Huault & Richard, 2012) that supports the extension of financial markets into the ownership of elements of the urban built environment. Federal governments and their administrations (in particular the Tax Department) as well as the Parliament have continuously been encouraged to redirect state's regulatory powers and budget (through tax abatements) by financial lobbies, including public organizations like the financial market authority (CVM) which has direct access to the ministry of Finance. Secondly, the paper highlighted how financial market actors, and especially retail banks relying on their distributional infrastructure, deftly took advantage of an improving macro-political economic conjuncture to entice urban elites into investing in so-called liquid properties. Along with CVM's own effort, they succeeded by deploying education-cum-advertising narratives that played on colonial and post-colonial imaginaries of property ownership to lure wealthier Brazilian households. Thirdly, the leeway provided by a state policy instrument that does not set any clear urban development goals enabled asset management organizations to become predominant in the implementation of this policy instrument. If, as shown in other research, their investment criteria are always confronted to local urban production systems (Guironnet & Halbert, 2014; Theurillat & Crevoisier, 2014; Weber, 2015), they are nonetheless prominent actors in the implementation of a federal-level public policy affecting the financing of the urban environment. By directing households' savings into a limited number of metropolises, property segments, buildings and tenants, they are the first and foremost "applied economic geographers" due to their ability to steer a financial infrastructure backed by a financializing policy instrument.

As it explored the role of financial market actors as full-fledged urban policy-makers, the paper further demonstrated the need to go beyond disciplinary boundaries, and in particular to bring together macro- and urban political economy approaches along with more sociological and geographical perspectives to study investment circuits and urban markets. By doing so, the paper brought into light a series of displacements that affect the urban built environment, its actors and its dominant social relationships as they rely on a circuit of capital rooted in financial markets. Firstly, state powers and resources are reframed to enforce the extension of financial markets into the urban built environment. Secondly, social relations to property evolve: households who may traditionally focus on the use value of housing, or, for some, on exchange values based on the direct ownership of properties, are now exposed to the institutional formats and calculative practices in use in financial markets and which lead households into indirect, market finance-mediated property ownership. Lastly, as a consequence, properties are no longer just brick-and-mortar material forms with given social uses and specific locations; they are also a capitalized income which in turn drives uses, users and locations through the mediation of financial organizations and professionals like asset managers.

Although this work focused on FIIs and their repercussions on urban dynamics in Brazil, a number of converging elements invite us to question the generalization of this interpretative framework beyond this case study. Firstly, FIIs are not an isolated initiative: REITs have proliferated and are now in use in 36 countries, while 7 others are considering their adoption. National and international bodies that promote REITs (NAREIT in U.S. and EPRA in Europe for example) are advocating for their wider spread, including by offering global indexes such as the FTSE NAREIT/EPRA Global Real Estate Series Index. These attempts encounter national bodies like financial market authorities that may also support the adoption of REITs because they constitute a now well-trodden path to expand access to financial markets to domestic households. Secondly, in most cases, asset management organizations in different countries are granted a lot of freedom by lawmakers in the ways they can allocate the pooled capital. Just like in Brazil, this is explained by the priority given to general macro-economic goals over urban development priorities, including balance of payments adjustment or job creation through the growth of the real estate sector. As a result, asset managers are likely to have a central role in the actual implementation of these policy instruments. Thirdly, as REITs and other real estate funds gain ground in different national and city-regional configurations, asset managers tend to stabilize a series of spatial and social selectivities nurtured in their own professional communities, with the consequence of circulating their own investment criteria onto cities, buildings, and tenants. And this all the more that, lastly, the integration between finance capital and the land and property development industry, as well as the limited investment capacities of local governments in varied political economic contexts, may all increasingly converge in aligning developers and planners onto the investment convention nurtured by financial market actors (Guironnet & Halbert, 2014). All in all, and although more comparative works are needed, it may be hypothesized that the (transnational) circulation of financializing policy instruments is likely to reinforce the role of financial market actors as urban policymakers in a growing number of countries and in the city-regions they elect.

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[i] It has proved impossible to find people with enough temporal depth to inform the more than likely role played by the CVM at that early stage.

[ii] As suggested by an anonymous referee, some Brazilian local authorities may be welcoming financial market actors as part of the adoption of entrepreneurial agendas aiming to strengthen their global status.

[iii] “Diversified" funds combine investments in offices with retail and logistics.