Big Business Loves the Housing Crisis

By Nick Bano

What's your favourite type of landlord? It's an odd question, but it's one that commentators keep asking as housing crises of various types continue to take shape across the world. In a recent series of articles, economist Brett Christophers analysed the workings of Blackstone, a New York-based asset management firm which has become a phenomenally successful (and deeply harmful) institutional player in American housing markets. At the moment, the picture in the UK is very different—small-scale individuals vastly outnumber institutions in the buy-to-let market—but there are signs that this is starting to change.

Last week, Lloyds Bank announced its plans to become one of the UK's biggest landlords by buying 50,000 homes over the next four years – roughly equivalent to buying every dwelling in Exeter. The month before, department store chain John Lewis said that it intends to build and rent out 10,000 flats. Academics in the UK have been writing about the small rise in US-style institutional landlordism in the UK for several years now, but this phenomenon seems to have built up a head of steam since the pandemic.

Landlordism must have been an easy pitch to Lloyds' directors: 'What if I told you that there was a market where the very act of ownership generates more wealth than the average income? What if I told you that the sector is almost totally unregulated, and has seen strong and consistent growth since the 1990s?' If Lloyds thinks it can also emulate Blackstone's activities in the US, it is looking at a very good investment indeed.

But when we talk about this emerging form of landlordism, it is important not to be moralistic. We shouldn't fall into the trap of making the case for the 'small business owner' landlord, standing in contrast to takeovers by heartless capital (or, as one friend put it to me when the Lloyds story broke, 'critical support for authentic working-class landlords'). We should look, instead, at whether there are qualitative differences between institutional and individual landlords, and the effects that large-scale buyouts can have.

We could spill a lot of ink discussing whether institutions provide a better 'service' than small-scale landlords. Is a heartless but image-conscious corporation less likely to evict me than a capricious amateur? Is my penny-pinching landlord's handyman really worse than the large repairs department of professional social landlords like Clarion? In my work representing tenants I've seen good and bad practices in both camps. The individual experiences of tenants matters far less than the systemic effects of Blackstone-style takeovers of the housing system more broadly.

There are arguments on both sides, too, about whether it's easier for the tenants' movement to exert pressure on large or small-scale landlords. On the one hand individuals can be easier to startle, but on the other institutions are often precious about their reputations. Case in point: Cardiff lettings agent Horizon Properties recently ran crying to the High Court to try to stop ACORN members from protesting at their offices. The movement will find tactics that are appropriate to the problem.

So what are the systemic effects of large-scale investment in rented housing? Blackstone is credited with changing the landscape of housing in the US. Around the time of the global financial crisis it bought swathes of homes in 'distressed' areas while rents were low, made repairs and improvements while the economy settled, and sold or re-let the buildings at much higher prices. The UN special rapporteur for housing has criticised Blackstone's policy of 'aggressive evictions'. This model of rent-hiking is thought to have made the company $3.5 billion in profit.

In other words, this is gentrification – but a concerted project of gentrification, rather than the piecemeal landlord-by-landlord or estate-by-estate approach that we are used to seeing in the UK. Blackstone—quite rightly—has become the real bogeyman of the US housing crisis.

As Blackstone's own prospectus acknowledges, its successful 'buy it, fix it, sell it' model only works where rental markets are buoyant. This puts

Lloyds in an interesting position, because rental markets thrive where homeownership is difficult to achieve, and Lloyds (as a major mortgage lender) has some influence there. On one view, Lloyds has hedged its bets (it does well whether renting or ownership prevails). On another, and particularly if other banks build up rental portfolios of their own, the gatekeepers of homeownership would have a strong interest in keeping it exclusive. A large-scale landlord will want to see the housing crisis worsen.

This is perhaps the most important thing we learn from Lloyds' and John Lewis's announcements: capital has no faith in the government's response to the housing crisis. The Conservatives' focus has been on expanding home ownership (generally through generous but still unaffordable state-backed mortgage schemes on new builds), but these companies have just backed a different horse. They see profits in the private rented sector.

This is not a decision that Lloyds would have taken lightly: as Christophers notes about Blackstone: 'any substantive flagging […] of demand for rental housing, or of the purchasing power required to monetise that demand at higher rent levels, would have been ruinous for Blackstone'. Lloyds, which knows the property market as well as anyone, must think that the demand for expensive private rents will remain robust. In other words, the housing crisis is here to stay.

What we really need, though, is for this endless churn of gentrification and rent-raising to stop, and for housing prices to fall. The expensive and inadequate private rented sector needs to shrink through processes of decommodification, dispossession, and replacement with social homes. Next month's referendum in Berlin is an exciting step: the proposal is to force sales of homes to the state, and it appears to be driven by Berliners' concerns about exactly the sort of industrial-scale capital-driven mechanisms that Lloyds is proposing to adopt (the Berlin proposal is aimed at the largest landlords).

On one view, the only way to stop Blackstone and Lloyds is through massive government and policy interventions. A recent *Jacobin* piece in response to the US evictions crisis called for a new project of Red Vienna-style social housing to replace private landlordism (and this is a project in which the UK has its own impressive history). The counterpoint, though, is that capital is flighty, and needs conditions to be just right. Blackstone stopped investing in Berlin in 2019 because the city had introduced rent controls. While we need huge amounts of decent, affordable, secure housing to makes things better, even fairly small policy measures can slow down the processes of making things worse.

In a memorable passage in *The Grapes of Wrath*, Steinbeck describes exasperated tenants talking to the landowner's agents about the irrational thinking behind their imminent eviction: 'A bank isn't like a man. Or an owner with fifty thousand acres, he isn't like a man either. That's the monster.' This is a good observation. It is not the impersonal nature of the relationship but the scale of the operation—the necessity for big capital investment projects to succeed—which turbo-charges the systemic problems and individual misery of housing crises. One of the Left's rallying cries in recent years has been that there is no such thing as a good landlord, but our landlord adversaries might be about to level up from 'not good' to 'monsters'.

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