The financialization of rental housing in Montreal: Spatiality, local specificity and empirical methodology

A supervised research project prepared by

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INTRODUCTION

During the 1990s, new financial innovations made it easier for individuals, landlords, investors, developers and trusts to invest in Canada's rental sector. These innovations allowed housing to be treated as an asset capable of producing financial returns, a process known as assetization (Sassen 2014). Securitization also enabled the value of housing to be segmented into multiple portfolios, and their values traded on markets, similar to trading (August 2020a). Housing, through assetization and securitization, was now rendered 'liquid', dissociated from its physical entity and more easily capitalized on (Gotham 2009). During the 1990s, government deregulation enabled real estate investment trusts (REITs) to operate on Canadian territory. Financial innovations and the legalization of REITs caused the rental sector to become financially appealing: REITs and other firms thus started acquiring existing rental units en masse. The emergence of *financialized landlords* within Canada's multi-family rental housing sector gained momentum following the 2007-2008 Global Financial Crisis (GFC), partly due to the increased rental demand (August and Walks 2018). The introduction of financialized landlords in Canadian geographies has come with rent increases, displacement, cuts in services, submetering, and firing of facilities employees (August 2020a; August and Walks 2018). Additionally, takeovers were sometimes paired with intimidation and threats (Crosby 2020). These companies push for higher turnover rates to increase rents, thereby satisfying their greater financial expectations and achieving the frequent goal of 'double digit returns' (Fields 2017; Fields 2019). Such acquisitions have also caused overleveraged buildings, with investors having too much debt to be adequately serviced by the property's rental income (Fields, see also Schultz 2009).

The vision of landlords being a "mom-and-pop" side operation, with families having rental units as supplementary income, has changed, with rental housing becoming a purposive debt-financed investment made by private firms and investors rather than households (Hulse et al 2020). The increased importance put on housing as a commodity in society, policy, markets and even our lives is at odds with housing's first goal: to provide shelter for individuals and families. This new era of housing financialization in Canada requires further study, especially in Montreal, which is home to 11.0% of Canada's renter households but only

5.5% of all private households, and where renters amount to 63.3% of all households (Statistic Canada 2016).

The province of Quebec and its largest city, Montreal, have received very little attention in regard to the financialization of its rental housing sector. Country-wide examinations have looked at the dynamics of this new frontier of financialization (August 2020a; Kalman-Lamb 2017), and August (2020a) does mention Quebec as being one of Canada's provinces with stronger tenant advocacy and rent control put in place. Other reasons why Montreal might have been overlooked as a financializing geography for rental housing includes smaller housing units (with the popular triplex and row house building typologies), relatively recent investment interest from outsiders (with increased property investments occurring in the early 2000s but spiking in recent years), and Montreal being overshadowed by Vancouver and Toronto's housing markets (Gaudreau et al 2020a). However, current rental housing dynamics such as a 15-year vacancy rate low (CMHC 2019a), recent growth in new construction, investment interest in Montreal (Gaudreau 2020) and increased homelessness due to the COVID-19 pandemic (Dans la rue 2020) call for in-depth study of financialized actors within Quebec's biggest metropolis.

This research aims to shed light on the financialization of Montreal's rental housing by addressing the following questions: How has the emergence of financialized landlords in Montreal unfolded? What is the economic geography of these actors on the territory? What are the investment strategies specific to Montreal, and how do they differ from other Canadian geographies? What is the impact of financialized landlords on the housing sectors and its renters?

Purpose of the study

The goal of this study is two-fold: first, it aims to provide an exhaustive description of Montreal's rental housing financialization. It will do so by conducting an analysis of the emergence and presence of financialized landlords in Montreal's multi-family rental housing stock, diving into the economic geography of these financial players, the distinctive characteristics of Montreal's rental financialization, and the impacts on renters. The findings argue that the financialization of multi-family rental housing is well underway and in different forms. REITs and institutional investors are some of the city's biggest landlords, along with senior living companies that have become increasingly financialized in the past years. The creation of subsidiaries and ephemeral companies for specific locations by larger companies, the contracting out of functions for the construction and management process (Gaudreau 2020) and the highly commercialized short-term rental market (Combs et al 2019) are three elements that characterize the distinctive process of rental housing financialization in Montreal. The weakening of and lack of accessible information regarding tenant rights, combined with historically low vacancy rates in the City, are also contributing factors to the growth of new financialized landlords.

Second, this study provides a data-driven approach to quantifying financialization, a methodology that can give insights on how to systematize the study of housing financialization in other geographies. The combination of various datasets will offer a quantitative toolkit and a clustering method that future research can use to determine the impacts of rental housing financialization on structural factors of the housing sector. To this end, seven chapters will follow: a literature review of pertinent concepts; an overview of the Canadian housing sector; an analysis of Montreal's current housing dynamics; a description of methods used for this research; a presentation of Montreal landlords and levels of rental housing financialization in the city; an analysis of rental housing financialization and its relationship with housing indicators; and a discussion and conclusion summarizing key findings and implications for future research.

The **first chapter** looks at the theoretical concepts of financialization, starting from financialization in general to the financialization of housing more specifically. In this section, I describe the concept and its inception, as well as the political and economic environment that has enabled new frontiers of housing financialization within the last decades. I present an overview of the studies within various geographies and different segments of the housing sector, which reinforces the variegated nature of housing financialization (Aalbers 2017), as well as the common threads from which we can start exploring Canada's housing financialization. Ergo, I lay out a succinct summary of the history of Canada's housing sector in **chapter two**, with a focus on the rental housing sector, thereby highlighting historical, economic, political and social factors that have contributed to today's state of rental housing.

In the **third chapter**, I offer the case background for rental housing in Montreal. I go over the rises and declines in popularity of purpose-built rental housing construction and living, showing the growing recent interest of financialized actors in Montreal's housing scene. I summarize Montreal's current rental housing situation, showing increased levels of unaffordability and declining levels of vacancy rates as well as the importance of the province's strong housing committee network. Lastly, I provide the legal environment to which both renters and landlords are subject, highlighting certain caveats and nuances that are important to know in order to capture the essence of Montreal's rental market.

The **fourth chapter** gives an overview of the quantitative methodology used for this study. I describe the various datasets used in this research. I provide an account of current methodologies that have been used to study the financialization of housing, on which this current study will build on. I then share the methods used by this research for classifying landlords, as well as the rationale behind this categorization of what makes a landlord financialized.

The **fifth** chapter describes the dynamics of financialized landlords in Montreal, including the major corporate networks, their geographic manifestations and their influence on the rental market. I provide basic quantitative details of Montreal's most prominent landlords, and explore the sociospatial dynamics of financialized landlords in the city. In **chapter six**, I use single regressions, multiple regression and clustering analyses to explore the relationship between financialized ownership and various housing indicators, such as housing stress, rents and housing typology. Finally, the **last chapter** provides a discussion of the results along with potential implications for future research.

CHAPTER 1: LITERATURE REVIEW

Before diving into the case of Montreal, this chapter provides an overview of how financialization has evolved as a term, and how it has made its way through the built environment and the housing sector. Financialization being an extension of neoliberal thought, this chapter looks at how local specificities have brought about "divergent modes" and different processes of neoliberalism (Boudreau et al 2007, p. 36), and consequently financialization. First, I put financialization into context, explaining how this present wave of financialization is different from previous occurrences and why we should concern ourselves with it. Second, I provide a summary of the relationship between financialization and the built environment. In the last section, I lay out the scholarship with respect to the financialization of housing. The financialization of housing is 'sticky', or path-dependent (Aalbers 2016), and can manifest itself in many facets of the housing sector, whether it be mortgage financing, rental housing management or new construction. Its variegated nature (Aalbers 2017) is best illustrated through examples from other countries and numerous housing tenures and typologies.

Financialization

There have been numerous attempts to define financialization over the decades (Rolnik 2019; Lapavitsas 2009). Broadly, financialization means "the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies" (Esptein 2005, p. 3). Aalbers (2016) argues that this increasing dominance of "financial actors, practices, measurements, and narratives, at various scales" has resulted in "a structural transformation of economies, firms (including financial institutions), states, and households" (p. 13). Other definitions opt for a focus on capital accumulation: Krippner (2005) defines financialization as "a pattern of accumulation in which profits accrue primarily through financial channels rather than through trade and commodity production", with financial activities being operations of liquid capital aiming to reap future "interests, dividends, and capital gains" (p. 174-175). Either way, physical goods or things that would not inherently be commodities are being monetized and rendered liquid, i.e. capable of being traded on markets (Walks 2014). Firms that were not financialized are becoming so through acquisitions by financial firms, or creation of financialized subsidiaries, or entire sectors that were previously non-financialized are becoming more involved in "capital and money markets" (Aalbers 2016, p. 40). More sectors are abiding by purely financial logic, focusing on the exchange value rather than on the use value, creating an asymmetry between the spheres of production and of the circulation of capital (Lapavitsas 2014). The presence of finance in markets and everyday life is not new, but structural shifts, norm-making of financial operations via deregulation, new forms of technologies and financial innovations have led finance to become a much more important part of society and the economy (Sassen 2012a; Lapavitsas 2013).

Finance is an integral part of the economy. The practice of finance, such as lending and investing, has been around "since the dawn of civilization in some form or another" (Hayes 2021). Finance has, however, taken on a different role in the past four decades (Lapavitsas 2014). Financialization in the context of modern times is characterized by the large volume of finance, its conversion of many goods and services into profit instruments, and "its logic becoming wired into a growing number of economic sectors" (Sassen 2014, p. 2). There are numerous reasons for this shift in the role of finance. One of them is the policy changes and deregulation that occurred in the 1980s, which led to new forms of private authority in the world of finance, that were fueled by and reliant on executive branches of government (Sassen 2012a). The states played an active role in the policy changes that enabled financial markets to increase in size and become global, participating by "lifting [the] national encasements" of laws and administrative capacities, and by withdrawing from regulating the economy (Sassen 2003, p. 242). Financial deregulation and decontrol morphed the previously cautionary and insulatory environment of financial markets into a globalized one, leading to the growing power of private actors (Sassen 2014). Financialization today is thus different from previous times in that the global financial markets are far more formalized and institutionalized than before, with private entities given more norm-making capacities in the interest of finance than ever before (Sassen 2012a, p. 18).

Another reason for this change is the “deeply transformative effect” of communication technologies and computer-based technologies, or in short digitization (Sassen 2006, p. 19). Digital technologies have allowed finance to grow massively in both scope and complexity while furthering the international connectivity of capital. Digitization made possible the simultaneity of multiple transactions, the lengthening of financial transactions and the growing participation of numerous parties (*ibid*). These technologies also enabled the increased capacity to liquefy assets or use the value of a physical asset and capitalize on it in financial markets. Such manipulations were not possible before. Both deregulation and digitization opened new horizons for financial innovations, leading to novel products being created for the purposes of making more money. Such innovations include financial derivatives such as securitization, which can be defined as the pooling together of various types of debt instruments and their re-selling to investors.

Financialization has also enabled the expansion of hedge funds, pension funds and sovereign wealth funds that, looking for higher yields, developed new financial tools allowing for increased securitization of assets on the financial markets. Walks colourfully describes these financial innovations as an “alphabet soup” of financial products, including asset-backed securities (ABS), mortgaged-backed securities (MBS), collateralized debt obligations (CDO), and collateralized mortgage obligations (CMO) (2014, p. 34) and tax increment financing (Weber 2010). These tools have allowed capital to move more freely and become international, with foreign investors channelling investment flows into places without prior knowledge of local market conditions (Fields 2017, p. 3). Although innovations in finance are not new, what is of concern today is both the intensity of these current innovations and the “multiplication of instruments that lengthen the distance between the financial instrument and actual underlying asset” (Sassen 2006, p. 22). Such products became of great interest to financial investors in the context of “sharp growth in the financializing of economies" in the early 2000s (Sassen, 2012b p. 81). These complex financial products are extremely speculative and have been at the root of numerous crises, such as the credit-default swaps of the foreclosure crisis (*ibid*). The great distance between the “modest assets" leveraged in these products (such as the subprime mortgages) and the “high-finance circuit” causes a great disconnect and disregard towards the asset holders – as seen in the Global Financial Crisis (GFC), since investors were not affected by the million defaulted assets (Sassen 2014).

The lengthening of financial transactions also means a growing number of intermediaries between the actual asset and the financial products. Sassen (2016) speaks of intermediation both as a characteristic of global capital markets and as an extractive activity. This process saw the growth in the proportions of intermediate actors (financiers, accountants, credit rating agencies) beginning in the 1980s, and subsequent spreading across even modest and straightforward sectors, thereby facilitating the globalization of financial firms. As these firms grew in proportion, so too did their extractive activity, where each segment of the chain allows the actors to extract value from all types of assets (2016, p. 97-98). One might think that this globalization of finance, via deregulation and digitization, allows for a model of supply and demand that is free from geographic and territorial constraints (Sassen 2006, p. 18). This belief, however, is not entirely accurate as these intricate webs of modern finance are still reliant on centralized nodes of operations, or what Sassen calls 'Global Cities' (2016). Global cities are foci that have emerged as spaces of production for all the complex and innovative functions emanating from these new global capital markets; with common examples being New York, London and Tokyo (Sassen 2001). These urban cores, or "command points" (*ibid*, p. 343), became of great interest to national and foreign investors, leading to their acquiring properties throughout these cities. International acquisitions are not new, but what is of concern is "the scale of these investments, the vast globalizing of the destinations of these investments, and the frequent underutilization of the properties" (Sassen 2016, p.105). These Global Cities are thus becoming sites of high value, with the great interest in their properties being quasi-inevitable because of "the economic value attached to these advanced production sites" (*ibid*, p. 105). In the capitalist machine, urban land and the built environment become prime assets, but also act as a sink for surplus capital, or what Harvey (2008) calls the 'secondary circuit of capital', which will be discussed in the next section. While the secondary circuit of capital is not unique to contemporary times but rather a characteristic of capitalism in general, the intensifying role of finance and its new speculative "labyrinths" for fictitious capital are, increasingly channelling capital into things such as “rents, interests and royalties rather than in productive activity” (Harvey 2014, p. 241).

In sum, financialization contributes to the rise in inequalities, because of its role in the concentration of wealth in the hands of a small number of international elites, the rising wealth to income ratios (Piketty 2017) and the growing asymmetry between production and circulation of capital (Lapavitsas 2013). This highly centralized concentration of capital we find in this environment, with modern forms of finance playing a significant role in facilitating this concentration, leads to the entrenchment of massive wealth disparities. These disparities are particularly evident within our cities, where the built environment is becoming the playground of corporations. These institutional actors are consistently buying up land and redeveloping it solely with the objective of increased financial gain; thereby further reducing the very few spaces available to the public, brutally excluding people from the city, and reshaping with very rare occurrences of mixity and diversity (Sassen 2015). These actions are jeopardizing our collective right to the city (Harvey 2008). The following section details how financialization is acting in and impacting the built environment.

Financialization of the built environment

Cities have always been centers of sites of concentration of surpluses through the numerous phases of urbanization (Harvey 2008). As seen above, modern times financialization occurred in a post-Fordist society, where productivity growth had slowed, where new technology and regulations were changing labour practices, and where competition was becoming global (Weber 2010; Lapavitsas 2009, pp. 124-125). Cities, faced with budgetary cuts and limited resources, would increasingly partake in riskier entrepreneurial strategies in order to remain commercially viable and competitive, ultimately constraining the practice of urban development to financial logic (Weber 2010; Harvey 1989). Harvey argues that capitalist urbanization has played a “particularly active role [...] in absorbing the surplus product that capitalists are perpetually producing in their search for surplus value” (p. 3). This is done through the massive investments in infrastructure or city redevelopment. It is, however, not new: prime examples include the ‘Haussmannization’ of Paris in the 1850s onwards or the

American version of it with Robert Moses after World War II. Both periods were followed by crashes due to the speculative nature of their financial system and credit structure (*ibid*, p. 4). Compared to the previous examples, what is different today is the increasing frequency of the collapses, the scale of these endeavours and the speed to which financial tools are built to respond to this “global urbanization boom” (*ibid*, p. 5). The current financialization of the built environment is thus more complex because of globalization and digitization.

Although money and capital are volatile, meaning they can circulate seamlessly among sectors and places, they still require fixed locales to operate (Gaudreau 2020). Harvey refers to the spatial fix to speak of capital’s need to expand in new spaces and for redirecting overaccumulation surpluses to new territories, usually done by “fixing investments spatially, embedding them in the land, to create an entirely new landscape [...] for capital accumulation” (2001, p. 28). Cities act as one of the spaces where surpluses of capital can be redirected, but are sites of the investment-devaluation cycles of capital. The urban environment becomes a site of struggle, where “capitalist development has [...] to negotiate a knife-edge path between preserving the exchange value of past capital investments in the built environment and destroying the value of these investments in order to open up fresh room for accumulation” (Harvey 1978, p. 120). Investments are ultimately devalued to create new investment opportunities elsewhere. This “surplus absorption through urban transformation” is highly problematic to democratic city life because the process usually involves the extraction of resources “from somewhere and somebody” into the hands and management of the few, causing a pervasive loop of accumulation by dispossession (Harvey 2008, p. 2 and 10). Private corporations and entities will usually conduct their capital accumulation via urbanization not by getting rid of slums or improving the poor’s living conditions, but merely by displacing and expropriating them. The urban realm absorbs capital surpluses at the expense of low-income populations. Compared to previous periods in history, where governments controlled surplus capital with taxes or by exerting state control over surpluses, neoliberalism has privatized the ownership of surplus capital, keeping governments’ control over surpluses the same since the 1970s (*ibid*, p. 13).

The increasing size of urban land being owned by private corporations and entities is jeopardizing our collective right to the city, that is our capacity to change the cities we live in and to have 'shaping power over the processes of urbanization' (*ibid*, p. 2). Cities are simultaneously becoming sites of concentrations of capital and of inequalities. There is an urge to respond to this process of financialization and accumulation as it has become a global struggle. Although it is global, the manifestations of neoliberalism and financialization are path-dependant, reliant on contextual embeddedness (Rolnik 2019; Moreno and Shin 2018; Aalbers 2017; Brenner and Theodore 2005; Brenner and Theodore 2002), i.e. its politically constructed character, its economic relations, and its historical-geographic context (Carter, Larsen and Olsen 2015; Walks 2014). Similarly, the financialization of housing takes different forms depending on geography, housing and tenure types. The next section will review the literature on housing financialization, focusing on the impact it has on the housing system and inhabitants, drawing contrast with non-financialized forms of housing.

Financialization of housing

As seen above, the proliferation of financialization across all walks of life has enabled "the capitalization of almost everything", or financial capitalism's quest to find new asset streams that allow speculation to occur (Leyshon and Thrift 2007, p. 98). Financialization has been enabled by a global 'wall of money', characterized by new assets looking for investment opportunities and inherently pressuring markets, such as the housing markets, to abide by financial logics (Aalbers 2016, p. 87). It impacts numerous parts of the housing continuum, which can be defined as a linear model that "depict[s the] different segments of housing", from homelessness to market homeownership (CMHC 2019b). Overall, the financialization within the housing realm since neoliberalism impacted households worldwide via the creation of new financial instruments, the *en masse* acquisitions of properties by large corporations and the leveraging of digital technologies for property acquisitions, property management and touristic accommodations. The following sections explain this in further detail. For synthesis purposes, the geographical scope of this review is focused on North America, with some trends referring to Western developed countries in general.

Increasing scholarship on the impact of housing financialization

In the past decades, the viewing of housing as a commodity has dominated government policy, decision making and everyday lives (Hansen et al 2015; Rolnik 2013). The changing role of housing within society can be found quite explicitly in Sweden's shifting housing policy vision. During its social-democrat years, housing policy was still framed as a right: "Housing is a social right, and housing politics shall create the condition for living in good dwellings at fair costs and in a stimulating and safe environment" (SOU 1997, p. 98 quoted in Hansen et al 2015, p. 20). Under liberal conservatives, the housing policy's vision moved to market-focused objectives: "The aim […] is well-functioning housing markets in which consumers' demands encounter a supply of dwellings that meets the demands" (Sahlin 2013, p. 61 quoted in Hansen et al 2015, p. 20). The commodity character of housing is predominant, expected to abide by the principles of financial logic and metrics (August 2020a). Individuals and companies use physical infrastructure (such as housing) to funnel wealth and excess capital into cities across the globe, causing house prices to rise and creating pockets of 'artificial vacancy', ultimately putting pressure on local housing markets (Chung and Carpenter 2020).

The financialization of housing is highly criticized by scholars and activists for its detrimental effects on communities, including displacement, evictions, intimidation and scare tactics, cutting of services, and unsafe living conditions (Fields 2017; Fields 2014; August and Walks 2018; Crosby 2020). Financialization also "contains and reproduces racial logics and violence embedded in capitalism since its inception" (Fields and Raymond 2021, p. 13). Raquel Rolnik, in *Urban Warfare: Housing Under the Empire of Finance*, argues that housing financialization has "deeply undermined the right to adequate housing around the world", through its belief that "markets could regulate the allocation of housing" by "generating the most rational distribution of resources" and by developing "experiential and 'creative' financial products linking finances to built spaces" (2019, p. 5 and 21). However, the belief that markets can create "the most rational distribution of resources" combined with "the development of experimental and 'creative' financial products" has led to the viewing of "housing as a mechanism of rent extraction, financial gain and wealth accumulation" (*ibid,* p.

5). Studies also show that increased influx of financialized capital also causes local governments to shift their focus from answering local needs to satisfying foreign capital (Chung and Carpenter 2020, p. 20). There are currently no studies that examine the impact of housing stock being owned by private equity firms compared to small scale or "mom and pop" landlords: however, most studies have shown that the integration of financialized players in the housing sector creates new expectations for the profitability and the practices related to housing (August 2020a; Gaudreau et al 2020b; Teresa 2016).

Financialization of homeownership and financial products

Much of the literature on housing financialization to this day has been focused on homeownership via mortgage markets and securitization. Financial innovations in the 90s paired with deregulation allowed mortgages to be bundled and sold in markets, which increased the size of the mortgage market and secondary mortgage market (Kalman-Lamb 2017). This deregulation was also paired with numerous incentives for homeownership such as tax breaks and subsidies, congruent with the "asset-based welfare" principle under neoliberalism (Walks 2016). Walks defines the asset-based welfare approach as one that "promot[es] social welfare through wealth accumulation", which stands in contrast with "traditional subsidy programs" from national welfare states (2016, pp. 755 and 757). Financial innovations and deregulations contributed to the expansion of household access to mortgages, increasing the level of household debt and contributing to the rise in property prices (Kalman-Lamb 2017). The creation of mortgage-backed securities was satisfying the investors' needs for new asset-backed securities, making them a highly sought after product (Sassen 2012b). For investors, the mortgages themselves did not matter much: what mattered for profit-making purposes was not the interest payments but rather the sale of a package that included bits and pieces of physical assets (in this situation, houses) (*ibid*). The continuous sale of mortgages was of greater interest to the investors. This financialized homeownership form differs from the previous, non-financialized, one. Prior to the creation of these exotic financial products, a mortgage represented "a contract between a single lender and borrower" (Kalman-Lamb 2017, p.301). With securitization, debt (such as mortgage debt) is sliced and bundled with other debts, bought and sold to investors that have little interest in the physical asset itself, but rather the "highly liquid financial package" that the "bit of material asset" is part of (Sassen 2012b, p. 79). The dissociation between the actual mortgage and the profit accrued by financiers was at the heart of the 2006-2008 collapse. What was originally created for "generat[ing] an additional source for funding the mortgages of modest-income households" became a complex and sought-after product by the high-finance circuit (*ibid*, p. 74-75). Those bundles proved to be high-risk investments at the root of the Global Financial Crisis, a crisis that Sassen (2012b) defines as a "crisis of confidence" (p. 76). The mortgage crisis disproportionately impacted African American households in the United States because they were the group which were issued the greatest proportion of subprime mortgages out of all mortgages (*ibid*). Surprisingly, the changes precipitated by this crisis have not prevented predatory lending practices from continuing, despite the clearly detrimental effects for both homeowners and investors.

Cooperative and public housing have also been the subject of the recent waves of financialization through privatization and cooperative segmentation, exemplified with the UK's 'Right to Buy' under Thatcher (Byrne 2020). In the 90s, Sweden deregulated tenant-owned housing, allowing tenants to buy their unit within multi-family cooperative housing (Hansen et al 2015). Similarly, in Denmark, private housing cooperatives have been subject to financialization. Individuals were now capable, due to neoliberal restructuring during the 2000s, to take out a mortgage on their individual unit (Brunn 2018, p. 7). These individuals thus had two mortgages: one in the name of the collective, and one in their name. These new regulations caused rises in share prices and allowed the individuals to invest in assets other than the cooperative, creating a dissonance between the 'self' and the cooperatives' goals and contributing to the crumbling of public housing in some countries (*ibid*).

Rental housing financialization and en masse acquisitions

Recent scholarship has increasingly explored the financialization of rental housing, although it has been studied in few specific locations. The financialization of rental housing is exacerbating the disparate power dynamics between tenants and landlords. Tenants are already under what Blomley qualifies as a “legal precarious roof”, confronted with an asymmetrical power relationship between them and the landowner (2019, p.44), which has been heightened by both the sheer size of these financialized landlords and their higher financial expectations for their acquired assets. The spike of interest in rental housing as a financial investment can in part be attributed to the creation of new financial vehicles such as real estate investment trusts (REITs), which allow the bundling of rental units into a portfolio that can then be traded on global markets (August 2020a), but also to the post-GFC housing market landscape which has propelled numerous households onto the rental market. Strategies such as “squeezing” (done through submetering and the cutting of previously offered services) and “gentrification-by-upgrading” (displacing lower-income tenants by higher-income ones via unit renovations) are adopted (August and Walks 2018), in the hopes of earning double-digit returns with assets that are historically known to earn stable, single-digit returns (Fields 2017, p.7). The presence of these financialized landlords is reshaping the entire rental housing sector: through the acquisition of “shoebox operators”, these financialized landlords are making it difficult for mom-and-pop landlords to compete with vertically-integrated operations, cheap financing and unparalleled economies of scale (August 2020a, p. 3).

Desiree Fields has documented processes of housing financialization in New York City, along with their detrimental effects (2017; 2015; see Fields and Uffer 2016 for a comparative analysis between New York and Berlin). New York’s rental housing stock became an investment target for private equity firms during the mid-2000s, when global liquidity was expanding, offering “higher risks and opportunistic strategies”, and ultimately leading to inflated prices and accumulated debt right until the 2008 GFC (Fields 2017, p. 3). Rental housing was thus acquired *en masse* by firms hoping for high financial yields in a rental market. During the 1990s weakened rent regulations, combined with the “development and mortgage booms”, turned New York’s rental housing into a “frontier for capital” (*ibid*, p. 5). The market was flooded by overleveraged buildings (i.e. properties having taken on too much debt in relation to income flow) that became prey for funds that bought them at a discount. These funds were expecting high payoffs, but were generally left with too much debt, resulting in rent increases, cuts of services, or foreclosures; all attempts to make the newly acquired assets profitable (Fields 2015, p. 153). Tenants in some of the overleveraged buildings lived in despicable living conditions, with water damage, caving roofs, infestations and broken elevators being common issues. Fields' research on rent-regulated rental housing in New York highlights the "dangers of reducing the urban landscape to a set of financial criteria" (Fields 2017, p.13).

Other examples of such large acquisitions can be found in post-GFC Spain (Garcia-Lamarca 2020; Byrne 2020; Rolnik 2019), but also in France with asset managers and foreign investment funds owning increasing amounts of real estate (Guironnet and Halbert 2018). Prior to the bubble, Spain's housing prices tripled between 1997 and 2015 and new housing stock was being added at a surprising rate, from 275,596 units built in 1998 to 615,072 units built in 2008 (Norris and Byrne 2015). High rates of homeownership were portraying a thriving middle-class image; but prior to the 2008 crisis, numerous families were already moving into one of their rooms and renting out the others to friends or migrants from their origin country in order to make mortgage payments (Palomera 2014). Spain's housing boom lasted until the end of the 2008 housing bubble, just to free fall afterwards, leading to growth in the rental sector (Byrne 2020). In Spain, the Urban Letting Act of 2013 led to deregulation of the rental sector, reducing tenancy from 5 to 3 years, eliminating caps on rent increases, and reducing pre-eviction grace periods for rent default (Byrne 2020, p. 755). Housing as an investment was thus rendered more attractive, and SOCIMIs (the Spanish equivalent of REITs) started acquiring rental real estate assets in Spain (Garcia-Lamarca 2020). The increased presence of Blackstone, one of the most active REITs in Spain, is correlated with higher rates of mortgage foreclosures, evictions, urban inequalities and increased rents (*ibid*, p. 11). Blackstone's tenants are sharing their experiences on Facebook groups, mentioning higher rents, subpar service and evictions . The combination of the housing boom-and-bust cycle, the deregulation of the rental sector and the increased presence of SOCIMIs in Spain is strongly impacting Spanish housing dynamics (*ibid)*.

The platform economy's role in housing financialization

The rise of the platform economy has also influenced the housing landscape. The integration of digital technologies into rental housing property management has allowed faster *en masse* acquisitions of housing units and even greater cost savings via globalization and vertical integration (Fields 2019). It has, too, enabled potential increased tenant scrutiny and surveillance, greater bidding wars, and the leveraging of technologies to profile and rank tenants (*ibid*, p. 17). This increased integration of platform technologies within housing and real estate is reshaping the relationship between "land, real estate, home, citizenship and property" (Rogers 2016, cited in Fields and Wiig 2018, p. 156). It is further lengthening the distance between renters and owners, with companies being able to manage virtually thousands of housing units, without setting foot into their buildings, and doing business with third-party proptech companies that employ labor in countries all over the world to deal with maintenance or repair inquiries (McElroy 2020).

Although the role of digital platforms has influenced the housing market for decades, the emergence of artificial intelligence and cloud computing has modified the role that platforms play within them (Fields and Rogers 2019). Scholars have been studying well-known platforms such as Airbnb to look at the extent to which their prominence is causing increased neighbourhood gentrification and tenant precarity (Wachsmuth and Weisler 2018), rises in rents (Horn and Merante 2017; Barron et al 2017) and uneven geographies for growth (Combs et al 2019). Since the global financial crisis, new platform technologies have also been created for leasing, acquiring, financing and managing properties. New markets such as single-family rentals have also benefited from these new platform technologies (Fields 2019; Fields 2018). McElroy emphasizes how property technology has "exacerbated pre-existing inequities" by building off pre-existing racism and housing discrimination in the United States housing market (2020, p. 121), by enabling increased tenant surveillance and tenant screening (McElroy 2019).

Section summary

The preceding section elaborated on theoretical concepts relating to financialization and its manifestation in the built environment and housing. Financialization is not a new phenomenon in society, but it is of increased concern today because of the scale it is taking within a globalizing world economy. Financialization today is also furthered by the formalization of the role of private entities in capital markets, accompanied by government deregulation; and the innovation in digital technologies that, paired with deregulation, have allowed the creation of numerous speculative financial instruments that increased the length, scale and scope of financial transactions. The built environment has acted as a sink for the surplus capital of all these manipulations, reducing the 'Right to the City' because of privatization, ultimately profiting the few at the expense of the many. It has also made it susceptible to crises that facilitate speculative activities. Housing is one of many sectors that have become more financialized. Mortgage-backed securities made the expansion of mortgage markets more compelling for the sake of investors' profit-making. The dire calamity left by the Global Financial Crisis has led to numerous households losing their homes, but also investors looking more and more to rental housing as an interesting financial asset. The rise in the platform economy has also made it possible for landlords to acquire units *en masse* all over the world and vertically integrate processes, leaving tenants with even less power and privacy in the face of these large entities looking for high rates of return. With the examples provided, we can see that housing financialization is a worldwide concern, but that the unfolding depends on both local context and tenure type. This review of the literature will be supported by a brief history of Canada's housing system and Quebec's local specificities in the next section, which together will provide solid ground on which Montreal's rental housing financialization will be explored.

CHAPTER 2: THE CANADIAN HOUSING SECTOR

This chapter gives a summary of Canadian housing policy, with a focus on the emergent literature on rental housing financialization in the past years. First, I give an historical overview of the government's involvement in housing through policies and programs within the housing continuum. I then review the evolution of rental housing financialization in Canada, and its implications for renters.

Housing in the Canadian context

In order to understand the housing system in Canada, it is important to look at the evolution of housing policy in the country. Housing is a domain that impacts livelihoods, contributes to the economy and reflects the political ideologies of its time (Hulchanski 2006). Like in numerous other developed countries, the idea of homeownership in Canada has become hegemonic, with homeownership conveying the idea of 'having arrived in life' (Sabaté 2016), and offering financial opportunity to middle- and low-income consumers (Rolnik 2019). Hulchanski illustrates the evolution of housing policy through the imagery of a dual system, largely referring to owners and renters, where owners have been favoured over time through policies, programs and financial instruments (2002; 2006). Indeed, the idea of homeownership in western society has been historically dominant since the first half of the twentieth century (Dalton 2009).

The National Dominion Act of 1935 marks one of the first great involvements of the federal government in housing policy and provision, allocating $20 million (the equivalent of roughly $397 million in 2021 dollars) in the form of loans to contribute to the financing of 4,900 dwellings (Carter and Polevychok 2004; McAfee 2009). 1938 also marked the first legislation directed to the provision of low-rent housing for people with low incomes (McAfee 2009). Programs supporting access to and maintenance of homeownership multiplied during the Second World War, through the Wartime Housing Corporation, or what is now known as the Canadian Mortgage and Housing Corporation. In 1954, the federal government started to insure mortgage loans and authorized chartered banks to lend money for mortgages, allowing homeowners to access better interest rates and shifting the government's role from a lender to an insurer (*ibid*). In terms of rental housing, the late 1950s to the mid 1970s marked the high point in the construction of purpose-built rentals in the country, in part due to higher federal financing opportunities (August and Walks 2018; Suttor 2016). In the 1970s, the responsibilities of housing provision were downloaded from the federal government to the provincial government, who later further downloaded those responsibilities to municipalities that now contract social and affordable housing provision to non-profits and coops (*ibid)*. Purpose-built rental construction efforts continued through the 70s and 80s, albeit at lesser rates due to increasing financing and construction costs, and then shifted toward condominium building, where higher potential profits allured developers (August and Walks 2018). It is during the nineties that we will notice a complete withdrawal of federal and some provincial governments from the provision of public housing (Hulchanski 2006; Carter 2001).

Canada went through a housing crisis during the early 2000s. Previous funding programs were reinstated, such as the Homeless Program under the Strategic Community Initiatives Program and the Urban Aboriginal Homelessness Program (Bryant 2003), along with provincial programs such as Quebec's Accès Logis program, which aimed to combine financial forces of public, community and private resources to facilitate the financing and production of housing (Accès-Logis 2020). New programs did very little in the production of public housing in the country, however: annual social housing unit production remained below 3,000 units nearly every year between 1997 and 2010 (Walks and Clifford 2015, p. 1632). Despite these programs, as of 2002, the Canadian housing sector was seen as one of the most privatized in the Western World, as seen by its very low proportion of social or public housing (Hulchanski 2002). This duality between the homeownership market and the rest of the housing market has deepened disparities in wealth between homeowners and private renters: from 1999 to 2005, the median "net-worth of owners rose" by 27%, while for renters it decreased by 5% (McAfee 2009). The federal spending for homeowners represented 92.6% of total spending in 2008/09, leaving renters with a meager 7.4% (Clayton 2010). Put in per capita terms, homeowners received an average of $1,823 of subsidies per household during the 2008-2009 studied year, while private renters received on average $308, despite being far lower income on average than owners (*ibid)*.

Walks has documented in detail this uneven geography of wealth distribution in Canada linked to homeownership (2016; 2014). He has found that "the rising rates of homeownership and rising real-estate values since the early 1990s are significantly associated with higher levels of neighbourhood segregation of wealth, for both financial and real-estate wealth" (2016, p. 777). Even though the hegemonic culture of homeownership claims financial independence and security, the benefit of that rhetoric has not been "spatially equalizing" (*ibid*, p. 778), meaning that poorer households have been taking on more debt to access the housing market (Walks 2014, p. 58). The combined deregulation of financial markets, government involvement in the securitization of the mortgage market, increased reliance on the private sector for housing provision and the shift to an asset-based welfare state has left poorer families with more debt, benefitting mostly the households that were already in the homeownership market. "Credit-induced real estate" within the housing sector is creating higher barriers to entry for the ones "get[ing] into the market later" (*ibid,* p.59).

The securitization of the Canadian mortgage market differs from other developed countries by its high level of state involvement. Walks and Clifford (2015) explain the political economy of securitization in Canada, showing the state's "dominant role not only in regulating, but also in insuring, directing and raising funds for the mortgage securitization process (p. 1639). The CMHC has acted as the major player in securitization in Canada, by the selling of Canada Mortgage Bonds (CMB) to investors, guaranteeing 100% of the principal and interest (Walks and Clifford 2015). To spur up competition in the Canadian mortgage market, the federal government also allowed, as of the late 1990s, private insurers to issue mortgage loans, which were guaranteed at 90% by the federal government (*ibid*). The Canadian government, via the CMHC, maintained control of the securitization process by guaranteeing the bonds made up of Canadian mortgages, making them risk-free for investors buying into those products since "the risks of the mortgages insured by the CMHC" is taken on by the Canadian public (*ibid*, p. 1628). Because of its high involvement in the mortgage market, the Canadian state was and is still sensitive to the value of these assets, since any asset price difference resulting from losses or defaults is "made up by the Canadian government" (Walks and Clifford 2015, p. 1629). It is also partly because of its involvement in mortgage securitization that “the federal government could so effectively wield it for the purpose of preventing bank failures and reviving the real-estate market during and after the crisis” (*ibid*, p. 1639).

Financialization of rental housing in Canada

Much of the scholarship on housing financialization has focused on homeownership and mortgage markets, as seen in the paragraph above (Kalman-Lamb 2017; Walks 2016, 2014; Walks and Clifford 2015). Recent articles by August (2020a), Crosby (2020), and August and Walks (2018) have been looking into financialization of multi-family rental housing in Canada. Elements previously mentioned such as the early 2000s housing crisis, and the demotion of federal and provincial responsibilities in housing provision, combined with Canada’s 1993 legislation allowing REITs to operate on the territory, provided the perfect conditions for financialization to occur (August and Walks 2018, p. 127). The first REITs acquiring multi-family rental housing (CAPREIT, ResREIT and other private REITs) did so in 1997 and 1998 (*ibid*). Following these first acquisitions, the investor demand for apartment suites moved from being “insatiable” in the early 2000s to “sizzling” following the GFC, with local and international REITs acquiring already-existing rental stock at rapid rates (August 2020a). The profile of landlords operating in the rental business has shifted from small scale to large institutions and has mainly meant the consolidation of already-existing buildings rather than new construction of purpose-built rentals (*ibid,* p.9).

Within Canada, financialization of rental housing has occurred unevenly, mainly because of the different levels of rent control within each province (August 2020a). Provinces with rent control – British Columbia, Quebec and Manitoba – have a lower percentage of REIT-owned suites out of their overall rental stock. Provinces with reduced to non-existent rent control have higher rates of REIT ownership, such as Ontario, Alberta, Saskatchewan, Nova Scotia, New Brunswick, Newfoundland and Labrador and the territories (*ibid*). Numerous firm’s representatives have voiced their position in favour of vacancy decontrol (*ibid*). Depending on the market, financialized landlords will act differently in order to extract more value. REITs can acquire well-established assets, or “core” assets (buildings that are new or newly renovated) and capitalize on a safer, more stable investment. In older neighbourhoods, they will opt for what August refers to as a “value-added” strategy: hoping to for higher returns (and opened to higher risks), investors will acquire under-maintained assets located in less central areas to reposition them through renovations to attract gentrified tenants (*ibid,* p. 11). Financialized landlords have been acquiring stock in major cities but also in secondary or tertiary markets, where they benefit from a quasi-monopoly (*ibid,* p. 13). Crosby’s (2020) extensive case study of Timbercreek’s takeover of a multi-family rental housing within the Herongate neighbourhood in Ottawa highlights how financialized landlords often capitalize on gentrification and displacement. It also shows the lengths to which investors will go to “demobilize tenant resistance”, ranging from intimidation through legal action, and even including control of local media (*ibid)*.

Quebec is oftentimes left out of the picture because of a language barrier, perceived tenant-favoured rental characteristics such as rent control, dominant building types (lower-density, 3- to 5- storey buildings) and community allyship. However, true and accountable rent control throughout the province of Quebec has been lacking since the beginning of the century, providing more opportunity for financialized investment to occur, and leaving renters with less protection and less leverage (Gaudreau and Johnson 2019). Being the province with the most rental housing stock in Canada (42% of all the country’s apartments) (August 2020a) and Montreal being “a city of renters” (63.3% of households are renters) (Statistics Canada 2016), a careful examination of the current dynamics at play are required.

Section summary

This chapter gave an overview of Canadian housing policy and the government’s involvement in homeownership, insuring and financing and public and subsidized housing. The dualist housing system has mainly benefited owners, through direct and indirect subsidies and more accessible financing, with the CMHC playing an important role in facilitating household access to mortgages. All the while, involvement in public housing maintenance and provision was downloaded from the federal government onto municipalities, accompanied with reduced budgets. The increasing presence of private entities in mortgage insurance as well as the legalization of REITs operating in Canada during the 90s opened the door to the recent wave of housing financialization. Massive acquisitions have occurred all over Canada in the past two decades, but the presence of financialized actors in the country has been focused on provinces with looser to no rent control.

CHAPTER 3: MONTREAL IN CONTEXT

The following section explores the current state of knowledge regarding Montreal's rental housing market with respect to housing financialization. First, I provide a brief history of multi-family, purpose-built rental apartments, giving an overview of their geography, popularity or decline thereof since their inception. Second, I give a current rental market overview of Montreal, including supporting data on average rents, vacancy rates and household wealth. I then summarize the current studies that have looked into housing financialization in Montreal. The second section is meant to establish the foundation for explaining the relationship between Montreal's current rental housing dynamics and the increasing presence of financialized actors. Lastly, I briefly go over information regarding tenant rights and laws to orientate the reader within the regulatory environment for Quebec tenants. This section shows that, even though Quebec has been known to have stricter, pro-tenant laws, there are numerous other factors that make them difficult to apply and monitor in practice. These factors include the lack of a provincial rent registry, loose rules for rent increases and the tight rental markets putting tenants in precarious positions, making it highly unlikely for them to confront landlords.

Montreal's purpose-built rentals

Plexes have always been the signature building type of Montreal, which are residential buildings of small size, typically including between three or four housing units with separate entrances. Plexes made their first appearance in 1850 in the Sud Ouest borough, meant to house the industrial class that was employed for the Victoria bridge construction (Hanna 1986). This model spread in popularity, with small-scale entrepreneurs and promoters using the model all over the city. In the late half of the nineteenth century, apartment buildings also made their appearance in industrial cities, first built for upper class families in the form of serviced apartments in central areas, where land was too expensive to build single-family dwellings (*ibid*, p. 149). In Montreal, 200 apartment buildings were built between 1880 and 1914 (Huppé 2011). The construction of purpose-built rental apartments accelerated from 1921 and 1951 (Choko, 1994); with the majority of these buildings catering to upper-class families, while the working class lived predominantly in plexes (*ibid*, pp. 15-16). In Canada, renters constituted the majority of households in cities up until the mid-twentieth century (Harris 2004, p. 26).

On the brink of the twentieth century, the '*maison unifamiliale*' emerged as the answer to questions relating to housing and health, and to the potential loosening of family ties due to the separation of the home and the place of work caused by the industrial era (Hareven 1991, p. 263). Montrealers would have to wait decades before such a housing type became widely available to the larger population, since single-family homes were too expensive for most households (Gaudreau 2020, p. 148). Following the crisis of the 1930s and the Second World War, federal interventions within the housing sector favored two types of housing types: the first was the massive development of single-family dwellings through direct financing and insuring, and the second was the rental dwellings built by the state (Gaudreau 2020, p. 163). The CMHC focused most of its activities towards promoting and financing individual property. The financing of it became easier due to numerous measures that made access to mortgages possible for more than only wealthy individuals: amortization periods of 25 to 30 years; mortgage insurance established in 1954; the authorization of banks to partake in the activities related to the access to property (Gaudreau 2017). Purpose-built rentals, both private and public, continued to be built in great numbers during the 60s and the first half of the 70s thanks to the public involvement in their construction (Gaudreau 2020, p. 180). Critiques regarding government-assisted construction of rental housing hindering the construction of private rental housing began to be increasingly raised and heard in the 80s (Smith 1977). This gave way to a more neoliberalist intervention in the housing sector in the following decades; characterized by a decline in government support for rental housing in order to make way for the promotion of private financing geared towards homeownership.

In the late twentieth century, new financial products were created, including securitization, which made mortgage loans virtually risk-free for loan issuers and investors acquiring the securities (Gaudreau 2017). Such measures rendered the production and investment in purpose-built rentals unappealing to developers and investors, since mortgages from individual properties, such as condominiums, were a much more interesting asset to banks.

The condominium became an increasingly prevalent construction type in Montreal starting in the early 2000s; with the peak of condominium construction, representing an average 60% of construction starts, occurring between 2011 and 2014. Rented condominiums are also an important housing tenure in the Montreal CMA: as of 2011, Statistic Canada estimated the percentage of rented condominiums out of all condominiums to 28.9% (StatsCan 2018).

Beginning in 2012, there has been a resurgence of interest in constructing purpose-built rentals, with a peak in 2017 (CMM 2019). The recent influx of rental units in Montreal is of particular interest. Their increasing number, paired with the unregulated rent increases for their first five years of existence (which will be covered below) is influencing Montreal's private rental market, with unknown current and future impacts, since many of these units were not part of the latest census and very little aggregated data is currently available for analysis.

Montreal's current state of the rental market

As of 2018, there were 1.3M rental units in the province, with only 10% of those being social housing units, which include public housing, housing coops and non-profit housing (RCLALQ and CNL 2018). The rest of these units form the private rental market. During the past twenty years, the housing market has boomed in Montreal. Despite being overlooked at the national scale when compared with Vancouver and Toronto's striking median property value increases, Montreal has been experiencing a rapid overall increase in property values and a consequent sharpening of the divide between owners and renters (Gaudreau et al 2020a). In 2016, the net worth of owner households in Montreal (including both income and financial assets) was 25 times higher than that of the renters (*ibid*). From 2002 to 2018, Montreal's median property value (including houses and condos) rose by 127%, reaching $500,000 (*ibid*, p. 2). This increase in property values has not, however, been accompanied by proportional increases in median income: median property values represented 16.6 times the median income in 2018, compared to 9.8 in 2002 (Desjardins 2019). The increased interest in the housing market in Montreal is partly led by what Gaudreau et al refer to as second and third grade buyers (2020a, p. 5). These buyers are experienced individuals or professional investors that already possess real estate assets and buy property in order to increase the value of their portfolio. They leverage the value of their assets by selling or refinancing in order to acquire additional assets. Naturally, it is in these buyers' interest to see an increase in the value of their investment. This speculation is usually an activity that is reserved for real estate professionals and wealthier individuals, including households that are already owners. Another noteworthy characteristic of the housing market in the city is overbiddings. Montreal has experienced a rise in residential overbiddings, which have doubled between 2017-2018 and 2018-2019, with plexes being the most affected market in the city (*ibid*, p. 6).

This rise in property prices has been accompanied by a rise in rents charged as well. CMHC data shows that the average rents for the primary rental market (including apartments and rowhouses) increased 53% between 2002 and 2019 Gaudreau et al 2020a). The average rent increases in the secondary rental market (condominium rentals) were even greater over the same time period. All over the province of Quebec, the rental market has been tightening, evidenced by great declines in rental vacancy rates and increases in average rents (Hurteau 2019). The situation is worse for apartments that are suitable for families (with three or more bedrooms), where the overall vacancy rate for the province dropped to 1.5% in 2018, compared to 3.9% in 2016. For Montreal, this number is oven lower: 0.8% for 2018 (*ibid*). Numerous factors need to be taken into consideration when looking at the reasons for such rental housing conditions. Hurteau highlights the insufficient construction objectives and the delays of construction of social housing units; the lack of restrictive covenants on types of housing required to be built by developers; the lack of regulatory measures against short-term rentals; and the increasing rental housing demand caused by an increasing population, as factors contributing to the tightening of the province's rental market (2019, p. 2). Scholars and activists alike are calling for more widespread rent controls and a provincial rent registry, which would facilitate greater respect and enforcement of tenant laws (Gaudreau and Johnson 2020; RCLALQ 2021, 2020, 2018).

Financialization studies in general are lacking in the province of Quebec. Some sporadic publications (academic or non-academic) can be found on certain subjects such as the financialization of post-industrial renewal (Moser et al 2019) and mutual funds (Lefrançois 2009). In terms of housing, Louis Gaudreau is the scholar that has explored this subject the most. His analysis is not only featured prominently in his book 'Le promoteur, la banque et le rentier' (2020); but also, in sole-authored articles (2017) and numerous co-authored publications (Gaudreau and Johnson 2020; Gaudreau et al 2018; Gaudreau and Hurteau 2012). In all, most of this work is focused on homeownership or housing development rather than rental housing. Gaudreau et al (2020a) highlight the need for more studies on speculative activities occurring in the city, namely "flips" (people or entities buying real estate to renovate it and sell it at a profit) and real estate promotion, especially for purpose-built rentals. According to Gaudreau, the financialization of housing in Montreal is currently characterized by two elements of interest: the transformation and concentration of developers, leading to the increased presence of investment funds within the housing realm; and the spur in the development and construction of condominiums, facilitated by deregulation, homeownership policy objectives and new financial products (2020). Other factors have not been studied, such as the change in ownership of rental units through acquisition by financialized landlords. This research aims at advancing the scholarship of this subject for the rental housing market.

Housing development in Montreal was historically conducted by small scale real estate promoters, such as familial enterprises. These were usually construction companies responsible for lower or medium-density projects, and they only functioned as promoters during the limited construction periods of their new projects (Gaudreau et al 2018). However, since the early 2000s, promoters have started to become larger in size and fewer in numbers. These companies tend to build projects of greater density, subcontract many functions of the development, and focus on condominium projects. Subcontracting is not new, nor specific to Montreal; however, its increased presence causes many promoters' principal activity to shift from the actual production of housing to the "valorization of capital" invested in the projects (Gaudreau 2020, p. 286). Financial management thus becomes an autonomous endeavour, dissociated from other activities, further reinforcing its dominance in relation to production functions. Subcontracting leaves the subcontractors in precarious positions more frequently than if they were employees, since they have no potential to be unionized, and because their employment is short-lived (*ibid*). It allows promoters to more easily adjust their costs, hiring only when necessary (following the lean business model). In Montreal, real estate developers will usually create an entirely new business for each new project, and at times even for every phase of a given project. This tactic is financially advantageous for them since they have the ability to default or declare bankruptcy on a single development without hindering the financial viability of the others, despite their all being led by the same enterprise (*ibid*, p. 288). Gaudreau cautions that, although it might appear like the housing construction sector is 'going back' to a plurality of smaller enterprises, this is not actually the case. Rather, it is a reflection of neoliberal business practices, where lean enterprises rule for the sake of flexibility and capital efficiency, to the detriment of subcontractors (2020, p. 289).

Additionally, because of the scale of these projects, new financial players have appeared in the housing development scene: investment funds, including the Fonds de solidarité FTQ, Claridge, Fierra Immobilier and Ipso Facto (Gaudreau et al 2018). Between 2005 and 2015, investment funds have been responsible for the financing of 8,689 units in the Ville-Marie and Sud-Ouest boroughs only (Gaudreau 2020, p. 291). While the participation of such entities is not new, their creation of "financial participation" partnerships most certainly is (*ibid*, p. 290). The promoter and the fund will associate for the duration of a project, creating a business where both parties will become shareholders. This partnership differs from the previous form of agreement where funds would grant capital to a promoter, who would then be responsible for repayments based on agreed upon modalities. The fund acted as a creditor, whereas now it is acting as a partner. As partners, both the fund and the promoter now share the revenues (*ibid*, p. 292). Such partnerships are deemed riskier, since they do not guarantee repayment for both parties. In the event that the project does not make profit, both the developer and the fund do not receive any repayment. This new arrangement is, however, potentially more profitable for both. If the project is profitable, the investment fund will receive its share of the profits amounting to its share in the partnership, rather than only principal plus interest payments on the loaned capital that they would have received if they only acted as an investor (*ibid*, p. 292).

This financialized form of housing production, also coined as “new-build gentrification” (Gaudreau et al 2020b; Walks and Maaranen 2008) is not unique to Montreal: studies in Brussels (Romainville 2017), Berlin (Calbet 2017), Brazil (Sanfelici and Halbert 2016), the United Kingdom (Archer and Cole 2021) and more (view Aalbers 2019, p. 6 for more examples) clearly show that this model is gaining widespread acceptance and utilization. The financialization of housing production is causing real estate development companies to increasingly act as financial firms, engaging more in the trading and management of financial products, and relying more on income stemming from portfolio rather than from actual production (Romainville 2017). Relying on the participation of private companies like investment funds or trusts also means that housing construction projects are subject to their financial logic: a development is expected to have a yield of 20%, which is much higher than that of the banks (Gaudreau 2020, p. 292). These higher financial expectations cause real impacts on the housing markets, since the unit’s sale price or rental rate will usually reflect this higher rate of return.

The recent increased interest in condominiums is both in the form of new development and in the form of ‘valorization’ strategies, achieved by upgrading typical apartment buildings into condominiums (both ownership and rental) and other types of similar products (Gaudreau and Johnson 2019, p. 1; also alludes to the “gentrification by upgrading” strategy of financialized landlords in Toronto, coined in August and Walks 2018).

The trend in condominium development is relatively new. Financially speaking, condos are considered more appealing to developers compared to purpose-built rentals, both because they have a shorter payback period, and because they combine numerous mortgages that can be securitized under the same roof (Gaudreau et al 2018). Condominium building for both ownership and rental faced slow starts in the 1980s, but has since bloomed (Gaudreau 2020). The increased interest in the rental tenure has also created a new product: the purpose-built rental condominium. Many of these buildings have appeared in central areas of the city; with a significant portion of these new condos being bought by small-scale “landlord-investors”, as highlighted by Gaudreau (2020): these are usually wealthier individuals that acquire a unit to rent out so as to gain financially via both rent receipt and capital appreciation (also present in numerous other neoliberal countries, see Hulse et al 2020; Kemp 2015).

The ‘valorization’ strategy mentioned above refers to apartment buildings that are renovated and converted into condominiums, an important trend in Montreal. Despite Montreal’s having a condo conversion moratorium since the 1970s, this practice is still alive and well in the City (Gaudreau et al 2018), with some boroughs having created exceptions to the moratorium (RCLALQ 2019). Financing instruments that provide the means to avoid the moratorium have been created by banks specifically for the condos or ‘copropriétés indivises’. Loans for condominium products were also furthered by legal modifications to the Civil Code in 1993 (Gaudreau et al 2018). These loosening measures have allowed individual unit owners to access a mortgage independently of other owners in the same building.

Montreal’s housing market has undoubtedly been facing pressure in recent years, exemplified by historically low rental vacancy rates, rapidly increasing property values, frequent housing sale bidding wars and monthly rents rising faster than incomes. Additional pressure on affordable rental housing stock has arisen due to the increasing presence of financial actors within housing production, as well as apartment conversion into condominiums. While these pressures are largely self-evident, we still do not know the scope to which financialized landlords have integrated the housing market. This study will try to address this gap in knowledge through the analysis of property ownership databases and more. Another important factor to consider in this context is the regulatory framework that surrounds renting in the province of Quebec. What are tenant’s rights in front of landlords? Do renters carry weight in conflicts? Are rental laws relevant, applicable and enforceable? The following section partly addresses these questions.

Tenant rights and activism in the City

Without offering an exhaustive documentation of the inception and evolution of tenant law and tenant rights in Quebec, which are the regulations to which the Montreal market is subject, it is essential for this research project to look over the key characteristics of such rights and protections, since the province is widely perceived as having strong tenant protections in place. The right to housing in the province of Quebec is codified by the Civil Code of Quebec and monitored by the *Régie du logement*, now known as the *Tribunal administratif du logement*. The Civil Code stipulates the circumstances under which an eviction is possible, the lease renewal and the rent augmentations. Renters in Quebec are supported by a strong network of housing committees (*comités de logement*) all over the province. Those committees were established in the 1960s in working-class neighbourhoods, and grew in numbers the following decade (Roche and Rutland 2019, p. 26). In 1978, in light of soaring rent increases, multiple committees associated to fight for rent freezes, under the name "Regroupement pour le Gel des Loyers (RGL)" (RCLALQ 2018b, p. 13). Roche and Rutland (2019) mention both the growing influence of housing committees during the 1970s and the "progressive policies" being adopted by municipal governments in the 1980s favouring housing justice and better housing quality as characteristics shaping housing in Montreal (p. 26). Over the years, the fight for housing rights and housing justice was continued by RGL, now known as the *Regroupement des Comités de Logement et Associations Locataires du Québec* (RCLALQ). The media presence of housing committees and the RCLALQ is strong, with committee representatives speaking on behalf of renters and rights (see Hercegova 2021 and Thomas 2021 for examples). The role of housing committees usually includes: educating tenants about their rights, providing data on various housing conditions in the province, organizing tenants from multiple units against unlawful eviction threats, shedding light on housing injustices to the media and promoting public interests and non-private forms of housing (for examples, see P.O.P.I.R. n.d.; Comité de Logement du Plateau Mont-Royal, 2021). To date, there are no studies looking at the impact of the strength of housing committees on tenant outcomes in Montreal.

The distinctive legal environment of renters in Montreal can be attributed to three factors: the terms related to an eviction, the right to remain in the premises and the rent increases guidelines. To begin with, a landlord can ask to evict a renter for specific reasons. The most common is for non-payment: the renter has until the 21st of the month to pay his or her rent, and failure to do entitles the landlord to open an eviction case with the *Tribunal administratif du logement*. Other reasons for eviction include eviction for subdivision (convert a large apartment into two smaller apartments), enlargement (combining two small apartments into one) and change of use (transform a residential apartment into a commercial unit). The landlord can also decide to repossess the rental unit for the purposes of living in it themselves, or for one of their close relatives (partner, parents, children or dependent) (RCLALQ and CNL 2018). The landlord needs to advise the renter of such changes six months prior to the end of the lease, or one month prior if the lease is less than six months long. Failure to answer to the formal announcement within the stated period means that the renter agrees with the eviction. The renter needs to open a *dossier* with the tribunal in the required time frame if they wish to contest the eviction, and a failure to do so means automatic refusal. Following any tenant objection, the landlord then needs to open a *dossier* with the tribunal if they wish to make their demand heard (*ibid*, p. 14).

Moreover, renters in Quebec have the right to remain in the premises; meaning that the landlord who wishes to get rid of a tenant cannot force them to leave and requires a decision from the Tribunal. Renters are entitled to the renewal of their lease as long as they wish. This is one of the most fundamental particularities of Quebec's tenant laws. Quebec's article 1936 in the Civil Code stipulates that every tenant has the right to remain in the dwelling unit and cannot be evicted except under certain circumstances prescribed in the law (OACIQ 2020). At the time of a renewal, the landlord can ask to modify some current conditions of the lease. The tenant has one month to accept or refuse the conditions, and failure to respond indicates that the tenant has accepted the new lease conditions, the most common one being rent increases.

Lastly, rent increases are an element of Quebec's rental environment that have generated much debate and significant calls for greater controls. Gaudreau et al argue that the rent increase scheme provided by the Tribunal advantages landlords (2020a, p. 14). First, the revenue calculation does not fully capture the impact of major expenses that are not capitalized but rather deducted in year one. For the purposes of revenue and rent increases, the fiscal administration distinguishes both current and capital expenses. Current expenses, such as snow shovelling or painting, can be deducted fully the first year, being both tax deductible and qualifiable for the rent increase calculation. Capital expenses, such as counter or roofing replacement, on the other hand are expenses that will contribute to the improvement of the unit for its lifetime and are thus deductible over numerous years. Landlords have a financial interest to consider most of their expenses as current and will sometimes be successful in deducting capital expenses as current, such as in the case of window changes. Second, rent increases are usually a percentage of the current rent, making them cumulative. Taking into account both the increase in rent that is suggested by the housing Consumer Price Index (2%) and the expenses that can be reflected in a yearly price increase, a landlord can get up to three times the 2% annual bonus that is planned by the Tribunal (see Gaudreau and Johnson 2019, Annex 2 for more details). Third, the potential of capital improvements, such as better insulation or central heating, to decrease the expenses incurred by landlords is not considered in the fixing of rents. Capital improvements such as these can even be eligible for government subsidies. In sum, although rent increases are controlled by the tribunal, Gaudreau et al (2020) have shown how there are ways to include more expenses in the rent increase calculation, or to conduct expense-reducing improvements without them influencing the tenant’s rent.

Scholars and activists critique the lack of measures put in place to truly control rent increases (RCLALQ 2017; Gaudreau and Johnson 2019). In Quebec, the rental price is associated with the unit, not the tenant. This implies that, technically, when a tenant leaves, the future tenant’s rent should be the same or only slightly higher than the previous tenant’s rent. In practice, however, there is no way to ensure that this measure is upheld. There is no registry to consult, the outgoing tenant does not always communicate this information to the future tenant, and not everyone has the courage to speak up against their landlord’s violations (Lindeman 2020). The high demand for rental housing also acts to suppress tenant objections to rent increases because tenants fear they will lose their home and be unable to locate a replacement *(ibid)*. In any case, the failure of an existing tenant to contest an above-norm rent increase destroys the apartment’s future affordability for all subsequent tenants.

Additionally, newly built units are not subject to rent control for the first five years of their existence. The current wave in construction, especially of purpose-built rental units, in the City of Montreal is thus not subject to the same rent control. Most of these units are located in central areas, such as Ville-Marie and Griffintown. Five years of uncontrolled rent increase cannot be revisited following the control-free period because the existing rent is used as reference for the years to come. New rental units are also priced significantly higher than older construction: as of October 2018, a rental unit built after 2005 was priced significantly higher ($1165 for an apartment or $1235 for a condo) than the City's average rent ($807) (Gaudreau and Johnson 2019, p. 4). Not only does this price difference cause average rents to increase, but it also causes landlords of older buildings to increase pressure on tenants to accept rent increases or be subject to eviction in order to facilitate redevelopment of the affected units into condos (*ibid*). Out of the 139 unit take-backs that have made their way to the Tribunal (most are done informally and are thus not available as data), the vast majority of them were for tenants that had been in the unit for a long time, with 12.9 years being the average. Other significant facts regarding these take backs include lower-than-average rents, small building size (less than six units) and new building owners (RCLALQ 2018a). Clearly the intended objectives of Quebec's tenant laws are not being met, nor can they be assessed as effective in preventing the financialization of existing rental housing stock in Montreal.

With the ongoing pressure of housing affordability in the city, the Montreal administration has developed an affordability bylaw over the past years called the Diverse Metropolis, which came into effect in April 2021 (Ville de Montreal 2021a). This new bylaw stipulates that "anyone who is developing a residential project with an area greater than greater than 450 m2 (equivalent to approximately five dwellings) must sign an agreement with the city to contribute to its supply of social, affordable and family housing" (*ibid*). The bylaw applies to any new development or conversion of above the residential area threshold and adding an additional one dwelling unit to the project (in the case of a conversion or expansion). According to the city, this agreement can take three forms: land or building transfer, construction of units fitting the city's criteria or a financial contribution. During public consultations, this bylaw was criticized by housing committees, student associations and community groups as not ambitious enough to tackle Montreal's current affordable housing needs while also being denounced as a detriment to new development, acting as a disincentive for promoters to build in the boundaries of the City of Montreal (for complete documentation, including stakeholder opinions, see "Liste de documentation" n.d.). Although the bylaw was not in effect for the time of the analysis, it will be interesting to see how it relates to patterns of housing financialization in Montreal. Will increased pressure on new development further the pattern of acquisition and consolidation of existing rental stock by financialized actors? Although we cannot know this yet, one needs to acknowledge this new regulatory framework as a new factor shaping housing in Montreal.

In sum, knowing the regulatory framework surrounding rental housing in Montreal is essential for understanding how financialization can and is finding a way to take part of the city's rental market. Although some rights favour the renter on paper, such as the right to maintain the premises, other elements are jeopardizing these rights in real life. Rent increases, which are technically controlled by the tribunal, can be tweaked for the purposes of charging more to the tenant. They are also uncontrolled for the first five years of existence of a unit; meaning that the increased rents charged for the new units after five years act as the new reference point for these units. Even the rental rate itself, which is supposed to be tied to the unit, has no potential to be monitored or consulted by new tenants since there are no registries available for doing so.

Section summary

These three sections were meant to lay the groundwork for the current rental situation in Montreal. Despite a decline of interest in purpose-built rental construction, we are now seeing a spur of investment interest in the city, translated in part into a growing number of construction starts in the past decade, with a great proportion of them being purpose-built rentals. Ownership condominiums are also being bought by second- and third-grade investors wishing to earn additional income via the management of a rental unit. This increased interest in Montreal's housing market is contributing to its tight rental housing market, exemplified by historically low vacancy rates, increasing rents and a deepening of the divide between owners and renters. Renters are facing great pressure, and the regulatory environment that is supposed to support them is failing on numerous fronts, such as with the lack of rent caps on new rental units and the inexistence of a rent registry which would allow for effective rent regulation management. Combined with the political, social and economic trends in the

Canadian housing system, there is a need to know more about the presence of financialized landlords, the scope of their acquisitions in Montreal, and the impact they are having on the housing market. The following section will look at the data and methods used in this research for answering these questions and providing new knowledge about the financialization of rental housing in Montreal.

CHAPTER 4: DATA AND METHODS

This research opts for a quantitative method, which can be separated into three segments: the classification of landlords via the property assessment database, the assessment of the level of financialization of Montreal landlords, and the use of census and neighbourhood-level housing data to study the relationship between financialized actors in Montreal's rental housing stock and socio-demographic and housing indicators. Parcel-level landlord information provided in this research is novel and the result of a web scrape on Montreal's Open Data portal (Ville de Montréal 2021b). Census information and 2020 asking rents from both Kijiji and Craigslist were combined with landlord data to explore the relationship between the presence of financialized landlords on geospatial housing factors in the city.

Landlord database

First, the quantitative analysis of rental financialization in Montreal is based on the city's landlord information database (the Property Assessment Database, or PAD), available online, which has been scraped and formatted into a workable dataset. Although there is no compiled format of this information available to the wider public, it was provided by fellow academic colleagues that have been able to compile it. The scraping conducted is estimated to have extracted between 90 and 95% of all properties in Montreal present in the PAD online, which was verified by cross-checking the number of residential properties in the PAD with the number of households reported in the 2016 census. The number of residential dwellings in the PAD is 823,931, while the total number of private households is 843,872, or 97.6% of all dwellings. While there are approximately four years of additional units constructed in the PAD compared to the census, we can use this percentage as an estimation of the dataset's accuracy. The fact that the scrape has not retrieved the entirety of the properties in the city acts as a limitation of this research. The lack of a comprehensive, publicly available dataset on rental ownership has been one element frequently mentioned by researchers and activists as a hindrance to housing research (Ferrer et al 2020; August and Walks 2018). Other critiques also involve the secrecy and/or anonymity of corporate owners (Boutilier and Cribb 2021) and lengths to which corporate entities will go to for establishing elaborate corporate structure of partnerships and ownership (Gaudreau 2020b). Specifically for Montreal, the lack of a rental registry divulging the rents paid by tenants has been highlighted as an inhibitor for a true enforcement of rent control in the province of Quebec (RCLALQ 2021).

The PAD dataset includes information such as the address, postal address, registration number, property owner(s), date of construction, types of building, number of commercial and residential units and property values. Spatial information was added to the dataset by combining it with Montreal's property assessment unit available on its Open Data website, which can also act as a parcel map (Ville de Montréal 2021b). For the purposes of this analysis, the entries considered as rental rooms were not taken into consideration since they do not qualify as an entire dwelling. Rental rooms (or *chambres locatives* in French) are a form of housing that is usually offered in retirement homes, student housing, transitional homes or cooperative housing. Although there are numerous senior care companies within Montreal's biggest landlords, the number of units owned presented in this research does not include all types of living arrangements they might offer.

A second level of data cleaning was performed in order to permit a careful analysis of Montreal's rental stock. First, ownership units were filtered out from the dataset by removing the properties which were a single unit, and for which the postal address corresponded perfectly to the property address (i.e. the unit is owner-occupied). In cases where the address and postal address were the same but that there was more than one unit (i.e. a triplex with one unit that is owner-occupied), the owner-occupied unit was removed from the count to keep rental units only. This cleaning allowed the analysis of only entire-units rental properties in Montreal.

Another barrier to studying ownership in cities is the companies or individuals operating under numerous numbered companies. These layers of ownership make it difficult to decipher who truly owns the building and how many units each corporate entity owns (Graziani et al 2020; Gaudreau et al 2020b). Gaudreau et al offer schematic renderings of how the ownership of one project led by the developer Devimco comprises several different entities, owned by the developer, the financial partners and the individuals within those entities (2020b, p. 88). The complexity of who owns what in cities is challenging and confusing for renters (see Rosa Luxemburg Foundation 2021 in Berlin) and presents challenges when legal recourse is required (see Dallaire 2020 for the Habitations Trigone case in Quebec). To counteract the issue of landlords operating under different company names, the remaining fields were combined by postal address to group the companies with the same place of operation. Even though many companies will operate under different names, their reference address will oftentimes be the same, making it easy to group according to that variable. There were rare instances where the address in question was a lawyer's office, in which case each individual company linked to the address would not actually be owned by the law firm, but rather the owner's business activities were centralized at the law firm. In such cases, the clusters were separated and linked to their respective owners. Then, the landlords were ranked by the number of rental units owned in the City, from the biggest to the smallest. An investigative analysis was conducted on the top 500 landlords to determine the most recognized names (most companies use numbered subsidiaries which carry very little meaning to individuals), ownership type (public, private, institutional, nonprofit and cooperative) and company type (REIT, property investment company, real estate developer, non-profit property manager, etc). This categorization enabled the upcoming analysis of size and types of landlords, as well as their geographic locations. The investigative analysis also made possible the joining of a few clusters of properties operated by the same landlord, but under different names and postal addresses. For example, companies that were using different company numbers and had a postal address different for each of their buildings would not have been joined by the previous exercises. The investigative efforts facilitated their discovery, ultimately better reflecting the ownership shares by landlords in Montreal. The top 500 landlords that were manually categorized account for 179,800 of the 609,400 rental units found in the City of Montreal, or 29.5%. There are around 141,900 different landlords in Montreal, so this percentage being owned by the top 500 represents a significant concentration of rental unit ownership. As for the remaining 429,600 rental units, ownership type was determined automatically, using a web scrape from the *Registre des Entreprises du Québec* (REQ), string detection and logical statements. More details about automatic categorization is provided below. After finding the "true identity" of the top 500 landlords in Montreal, they were then categorized by type, with a focus on their financialization level.

Categorizing landlords

Over the years, multiple ways of categorizing landlords have been advanced by various researchers. What qualifies a landlord as being corporate, or even as being financialized? August defines financialized ownership as an entity that is owned by a financial vehicle, such as a "REIT, private equity fund, institutional investor, or asset management firm", for which the rental units become financial assets, "ultimately owned by disparate investors" (2020a, p.

3). Graziani et al (2020) and Ferrer et al (2020) have observed the state of the rental market in Los Angeles by looking at corporate landlords, classifying them based on their organizational form. Graziani et al (2020) used limited liability corporations (LLCs) as their subject of analysis, known for its “pass through” quality, in which parties listed within the LLC do not pay taxes within the LLC itself, but rather in their own respective tax filings (Tapp 2020). Quoting Golberg, Tapp highlights that the creation of LLCs is such that “an entire level of tax can be avoided” (1994, p. 996 in Tapp 2020). While Canada does not have a direct equivalent in Canada, the closest organizational form is the corporation for its limited liability character, but still remains an approximate (Ward 2021). This report recognizes however that focusing solely on this corporate structure would limit the number of corporate landlords studied. Ferrer et al (2020), on the other hand, include many different organizational forms as being “corporate actors”, including Trust, Limited, Corp, Inc, Co and LP entities. In Canada, and in Quebec more specifically, categorizing companies based on organizational form or name queries can be more challenging. As highlighted by Gaudreau et al in their analysis of ownership of new housing production in the Ville Marie and Sud-Ouest boroughs, most companies will operate under a numbered company ending with “QUEBEC INC.”, which is the standard name for most companies in Quebec (2020b). Other frequent names are original company names, which will still end with “INC.”, or companies ending with LP, LTD, or SEC. If we were to categorize all entities whose names finish by “INC” as corporate landlords, the overwhelming majority of the rental stock would be considered as corporate-owned. It is common behavior for two individuals owning few or several rental units to incorporate under an “INC”, which usually takes the legal form of a *société par actions* (joint-stock company), or a *société en commandite* (partnership) for residential development (Gaudreau et al 2020b). Whether it is two individuals living in Quebec and owning three triplexes or Akelius (one of the largest REITs operating in Montreal) operating under Akelius Montreal Ltd, both companies would be categorized as corporate, if we consider solely organizational form (they operate both under a *societé par actions*) or company name (INC and Ltd). However, scale and profit expectations between those two companies might differ significantly. How can we differentiate between those two types of corporate landlords?

Romainville, in her study of financialized housing production in Brussels, has characterized landlords as being financialized when their profits accrued primarily through financial channels (2017), following Krippner's definition of financialization (2005). Her analysis thus included more than pension funds, banks or insurance companies, but companies for which profits derived increasingly from financial channels, consistent with Aalbers' observation that financialization means the involvement of a growing number of "non-financial sectors of the real economy" within money and capital markets (2008, p. 149). This could include property investment companies, but also property managers that also issue private mortgages. Her categorization was used on 718 companies that were granted permits in the years of 2003, 2007, 2008 and 2011. The production of these 718 companies over these years totalled 2,900 projects that produced 18,000 housing units. To determine whether or not they were financialized, she used three elements: whether the company, or one of its shareholders, had an official core activity related to finance or insurance; whether the company was quoted (listed on stock markets); and whether the company's portfolio income ratio (revenues from financial channels divided by current revenues, or revenues in accounts receivables, cash or deposit forms) was greater than one (*ibid*, p. 629). Romainville's emphasis on capital flows permitted a streamlined operationalization to highlight financialized developers. Building off Romainville (2017) and August (2020a), financialized landlords are, for the purposes of this paper, landlords including all financial vehicles such as REITs, private equity funds, institutional investors and asset management firms; but also landlords whose companies are directly involved in financial activities, or partner with companies that partake in financial activities. Those landlords are considered the most likely to treat their rental units as financial assets expected to produce returns for the involved investors. Such a categorization falls in line with Aalbers' statement about an increasing amount of non-financial sectors, such as housing, becoming financialized (2008); thereby blurring the line between what is considered non-financial and financial (Romainville 2017). Consequently, landlords that are not included in this categorization are companies or individuals whose ownership structure is not directly or indirectly linked to financial activities or financial partners. This methodology permits a more fine-grained and nuanced categorization of landlords compared to previous empirical studies (Graziani et al 2020; Ferrer et al 2020; August 2020a), which was especially well supported in Montreal given the breadth and depth of the data that was made available for this research via the property assessment database and the *Registre des Entreprises du Québec*.

To categorize landlords, every top 500 landlord was investigated, looking at the postal address and the name under which the units were owned. In Quebec, every company is required to be registered in the *Registre des Entreprises du Québec* (or REQ), which can be consulted by everyone online (registreentreprises.gouv.qc.ca). It provides information about the company type, date of creation, the reference address, the shareholder(s) or associate(s) (depending on company type), their reference address, and more. Many companies listed in the PAD had other companies listed as shareholders, which were then investigated to find the true owners' names. This exercise was continued until a recognizable entity or individual could be identified. Some were pretty straightforward: units owned by Akelius in Montreal are all owned under the same name. Some were more intricate: Howard Szalavetz, for example, owns his units under 12 different company names and 4 different postal addresses. After true names were found, more research was required to determine whether the company engaged in financial activities, or if they had partners that engaged in financial activities. This included searches on the web, on the company's (or companies') websites and personal professional pages (such as LinkedIn). Three logical columns (TRUE/FALSE) were added to the dataset to determine this. The three columns were based on the three elements of analysis presented in the previous paragraph:

1. Is the company publicly listed?
2. Does the company directly engage in financial activities?
3. Do the company's partners or shareholders engage in financial activities?

Information about their first acquisition, location of headquarters and date of company creation was also added.

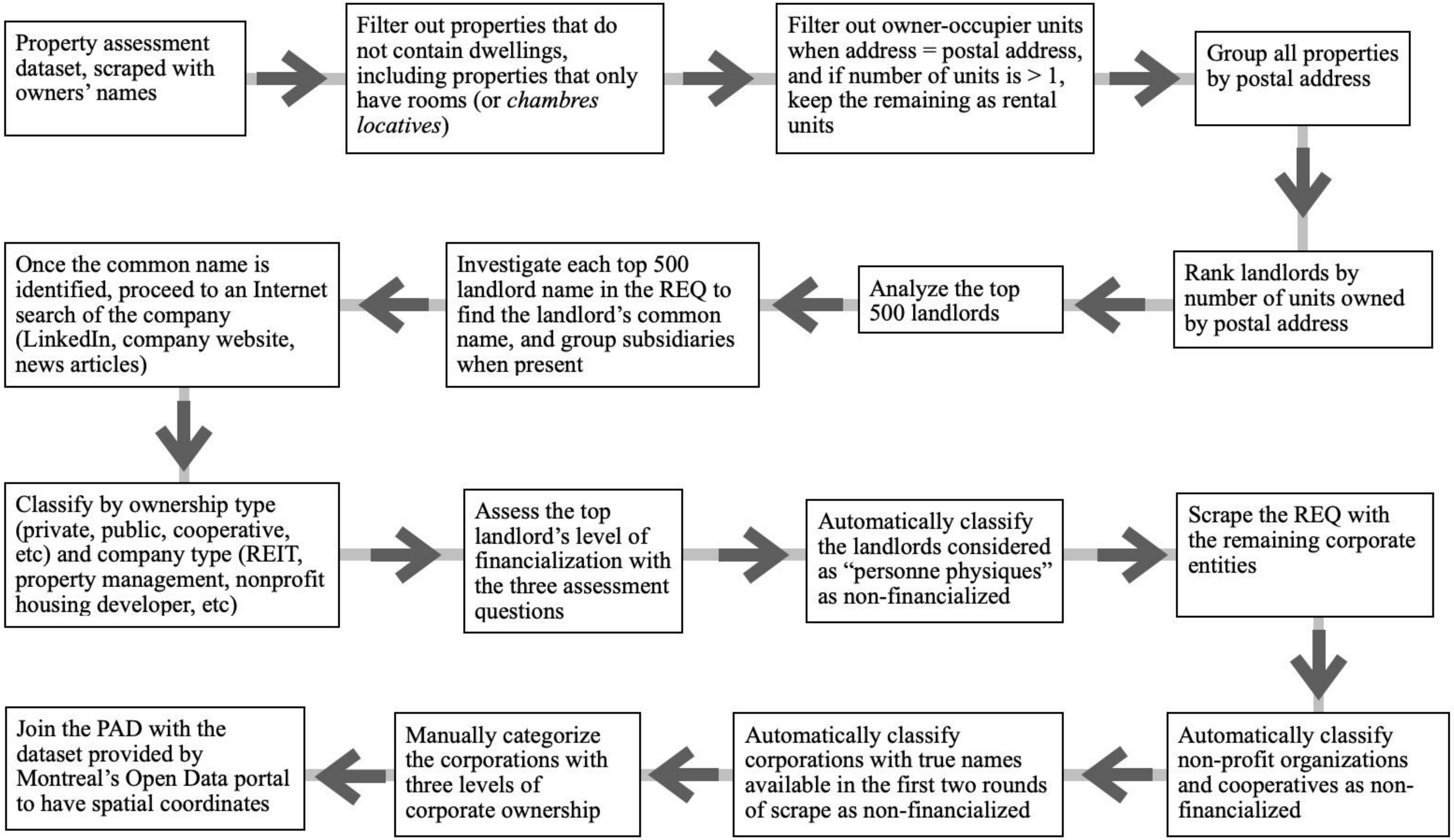
For the remainder of the units, they were categorized automatically based on their landlord type. To do so, the names of the remainder of the landlords in the PAD listed as *personne morales* were taken and scraped in the REQ. This amounted to 8,400 landlord names. Information about these companies was extracted. If the listed name of the first shareholder, associate or partner was not a person but rather another entity, it was reused for another layer of scraping until we could refer these companies to a person's name. Each company in the REQ is categorized according to their firm type: this includes *sociétés par actions* (joint-stock company), *société en commandite* (partnership), but also cooperatives and nonprofit enterprises. Nonprofit and cooperatives were categorized as non-financialized according to the three criteria above. As for the for-profit firm types, the firms present in the PAD for which the first two rounds of scraping returned the first-listed shareholder, associate or partner as another corporate entity were investigated further to determine their level of financialization according to the three questions above. This decision was motivated by the fact that most companies displaying a level of financialization in the top 500 utilized elaborate corporate structures with numerous layers of numbered companies for each of their properties. Those were the entities in the remaining corporate landlords that were deemed the most prone to be financialized. Units owned directly by companies that resulted in a person's name after the first two rounds of scraping were automatically categorized as non-financialized. Lastly, landlords identified as individuals ("personne physique" in the database) and not present in the top 500 were categorized as non-financialized as well. The main motivations behind this decision were that landlords listing their properties under their own names do not benefit from the anonymity and lower tax rates associated with owning property under a corporate entity (Cournoyer 2014), and that landlords considered as *personnes physiques* owned on average less units than corporate landlords. To verify the accuracy of the manual classification of the remaining corporate entities, a sample of 20 corporations was selected and categorized manually. There was only one landlord that could be deemed as financialized in this sample through its involvement in private financing, making for a very small proportion of the units. Future research avenues could include a more thorough categorization of those smaller-scale corporate landlords.

There are obvious caveats to the decisions surrounding landlord categorization. First, the automatic categorization of people owning properties, as well as properties owned by corporations that were directly owned by *personnes physiques* could lead to the underestimation of financialized landlords in Montreal, since an individual owning a private equity firm not part of the top 500 would be overlooked by this automated categorization, or the individuals listed as the owners of the corporate entity present in the PAD could engage in financialized practices, but both of those cases would be left undiscovered. Some of these automatically classified landlords could have been smaller projects owned by larger, financialized landlords, which would have been missed. However, for the sake of feasibility, the automatic categorization was adopted. This categorization of the financialization of landlords can thus be considered as a conservative estimate, but also one that might be overlooking smaller financialized firms within Montreal's rental housing sector. However, financialized landlords acquiring and owning large stocks of rental housing have been one of the characteristics present in numerous articles in the rental housing financialization literature (Gaudreau and al 2020b; August 2020a; Fields 2019; August and Walks 2018). Lastly, not every landlord displays their involvement in financial markets. Their financial partners or private investors might not be listed on the REQ nor on their company's website or personal page (such as LinkedIn), making it impossible to identify them as financialized.

It is important to note that this exercise was conducted using a dataset scraped from the web in November 2020. It thus reflects the ownership as of this date. Any transaction that occurred after November 2020 is not reflected in this analysis. Additionally, new construction, either completed recently before this month or still in progress during the month of this scrape will not be included in the analysis. Even though, when talking to a City of Montreal employee about their updating of the property assessment dataset, the information is supposed to be updated weekly, some of the new developments were found to be missing from the analysis. Most of it was due to our searches being for the exact address of the development. For example, the new Myriade rental apartment building owned by Mondev and built in 2017 could not be found in the online version of the property assessment database when looking for the exact address that Myriade residents use (1455 rue Clark). The building was found under another address on the street perpendicular to Clark (20 de Maisonneuve Ouest). This confusing address search raises concerns regarding transparency of building ownership in the city, since a renter looking for its landlord on the PAD would not be able to find it using their true address. Another interesting case was one of rental units owned entirely under a trust, or *fiducie*. Most trusts were family trusts, which are commonly used to transfer assets to other people, usually family members (Banque Nationale 2018). A parent can thus make its children beneficiaries or the assets (*or bénéficiaires*). The value of the assets owned under a trust are not subject to seizes in the event of a pursuit or bankruptcy (*ibid*). Other benefits include reductions in taxes paid, easy transfer of assets and the "multiplication of capital gains deductions (*ibid*). The ownership structure of family trusts, however, is extremely difficult to find, if not impossible. If the family trust contains a given name or a postal address listed under a recognizable name or company, it would be possible to determine with a level of confidence the family involved in the trust. If the trust has an abstract name (such as Fiducie Familiale EF or Fiducie Familiale Altitude 1980), with no information on the postal address, it makes it extremely difficult to find information about the landlord. This limitation is problematic for research but also for the accountability of landlords towards their tenants.

Lastly, while there is no compiled dataset for the PAD with landlord names, there is one available on the Open Data portal that is aggregated but without information about the property's owner(s), which includes spatial coordinates. This dataset was joined by registration number (a column shared by the two datasets) to the analysis above in order to enable mapping as well as geospatial analysis. Figure 4.1 below summarizes the landlord classification in a pipeline.

Figure 4.1. Landlord classification pipeline



Housing indicator variables

Once the categorization was completed, the processed dataset was joined spatially with census variables and asking rents that were scraped consistently on every Monday between March 2020 and March 2021 on Kijiji and Craigslist (for more information about the methods related to these scrapes, see Wachsmuth et al 2021a, 2021b). Census variables from 2016 and 2006 at the census tract level were included. Since 2006 census tract boundaries were not the same as 2016 census tract boundaries, a spatial interpolation was conducted to adapt 2006's boundaries to 2016's in R, using an areal interpolation function from the sf package (see Pebesma 2018). Census variables includes percentage of renter households, median rent, percentage of households living in condominiums, pre-tax median household income, percentage of dwellings requiring major repairs, percentage of individuals identifying as part of a visible minority, percentage of immigrants, percentage of households having moved in the past year, average value of dwellings, percentage of households living in apartment buildings of five storeys and more, and change in renter dwellings from 2006 to 2016 (a variable used to track the conversion of rental units into condominiums, a widespread practice in Montreal). Additionally, a new body of literature in the housing financialization literature in Canada focuses on the financialization of student housing (Revington and August 2020a). Although the current research focuses only on entire apartments (as opposed to room rentals, a common accommodation in student housing facilities), a comment about the large concentration of financialized landlords near university campuses was raised during the first round of edits by Danielle Kerrigan. While there is no census variable related to student population for a given census area, it was suggested to include the percentage of residents aged between 18 and 24 years old, the most common age at which people attend university. The upcoming quantitative analysis thus uses this variable as a proxy for determining the presence of students within census tracts.

The average asking rents for the census tracts over the period March 2020 to March 2021 was added to this selection. Asking rents are the result of web scrapes conducted by David Wachsmuth and presented in reports published by the Urban Politics and Governance group at McGill University (UPGo, n.d.). Professor Wachsmuth started collecting the asking rents in Montreal, Vancouver and Toronto to track the return of short-term rental (STR) units onto the long-term rental market (see Wachsmuth et al. 2021a and 2021b for more details).

Following the publication by the RCLALQ (2020) on Quebec-wide asking rents and their deviations with CMHC average rents, asking rents were deemed a good indicator for housing conditions in Montreal, and the impact of financialized landlords in the city. To do so, rents for only entire dwellings, unfurnished and published as long-term rentals were kept, as well as the listings priced between $425 and $8,000 (the price bracket used in Wachsmuth et al. 2021a and 2021b).

Lastly, a variable looking at the distance of the census tract from Downtown Montreal (the McGill College metro station) was also added. The goal of this exercise is to determine the impact of the presence of corporate landlords within the City of Montreal. To be able to conduct regression analysis and clustering analysis, a variable looking at the percentage of rental units that were owned by financialized landlords (based on the categorization above) was computed, using the total number of units owned by financialized actors divided by the total number of rental units per census tracts. The percentage of rental units owned by financialized landlords by census tract varies from 0% to 92.02%. Single-variable regressions and a multivariate regression analysis was conducted using these variables. Additionally, to highlight the differences between groups of census tracts with higher-than-average percentages of financialized ownership and groups with average or low percentages of financialized ownership, a k-means clustering analysis was conducted. K-means clustering analysis has been used in other urban studies settings by John R. Short (2010) in cities situated in the northeastern part of the United States to examine the social, demographic and economic changes in cities at a large scale. More details of the clustering process and results is presented in the upcoming chapter.

CHAPTER 5: WHO ARE MONTREAL LANDLORDS?

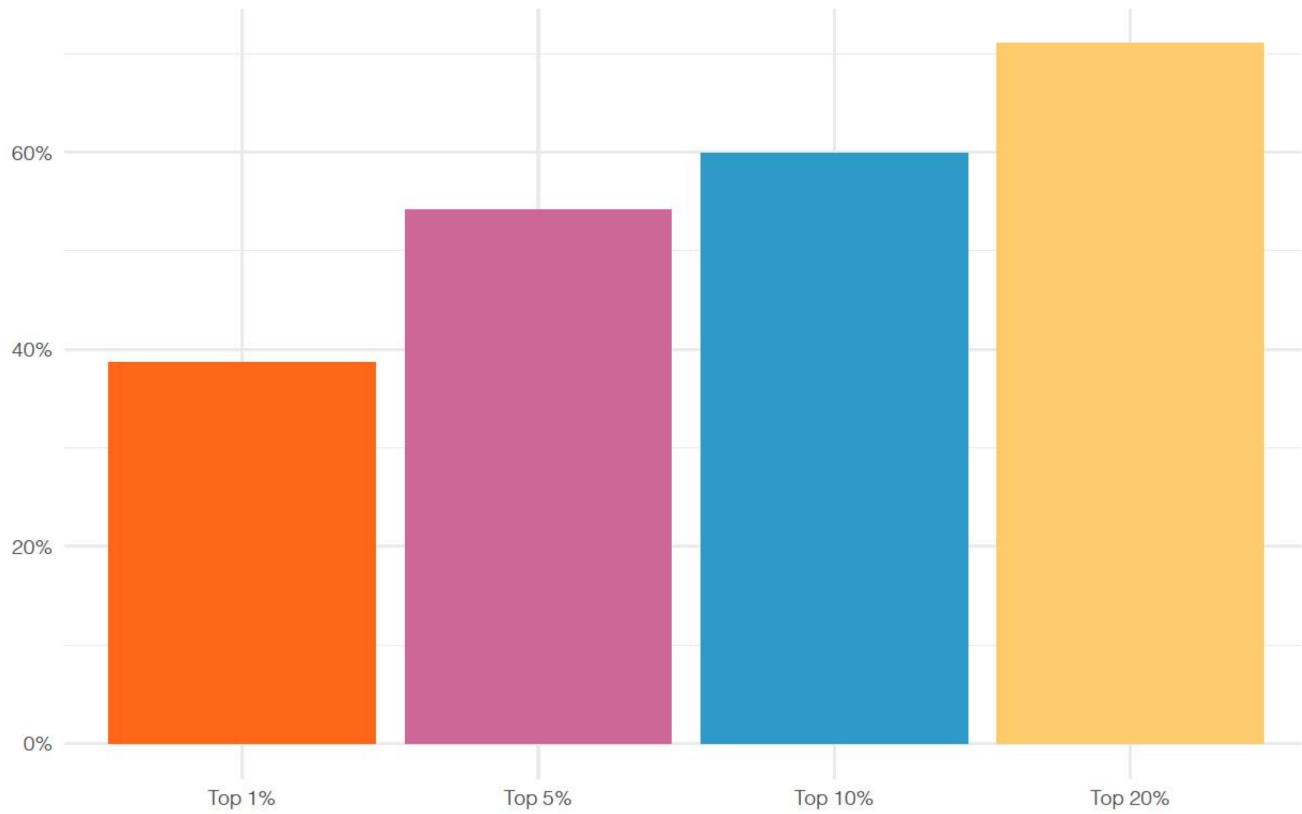
The following chapter explores the size, type and level of financialization of landlords in Montreal. First, basic information about their identity, share of rental units and type of units owned is presented. This provides the first comprehensive overview of who owns the city, similar to the investigative journalism piece presented by Joncas and Langlois in Le Journal de Montréal (2019), but for Montreal's entire rental housing stock instead of only the biggest buildings in the city. Second, an analysis of the biggest landlords is conducted, with emphasis placed on presenting both the largest and the most financialized landlords, including their company type, geographic repartition, location of headquarters and corporate structure. Information about Montreal's largest landlords, gathered from other publications or primary sources, emphasising size and degree of financialization is also presented. Third, financialized landlords are investigated, looking at both their acquisitions over time and geographic location.

Is Montreal a "mom-and-pop" landlord city?

Landlords form a heterogeneous class, and knowing more about their size and type can inform us on who owns a city's rental stock. In her working paper, Danielle Kerrigan (2021) analyzes the evolution of landlords as a class, highlighting numerous portrayals that have been coined to them through time. In the mid twentieth century, landlords were referred to as "exploitative figures" (*ibid*, p. 1) and even "folk devils" (Allen & McDowell 1984, p. 59 cited in Kerrigan 2021, p. 1). In more recent times, Kerrigan points to three landlord figures that arise from the media and academic research: landlords as "rational property investors, victims of exploitative tenants, or members of the middle class just trying to earn a little extra income by land-lording" (p.1). Studies from Australia (Hulse et al 2020) and New Zealand (Bierre et al 2010) have also looked at how landlords were socially and politically constructed, and how such portrayals have influenced the landlord-tenants dynamics in their respective countries. In Montreal, some recent news articles also highlight the "rational property investor" (Kerrigan, p. 1) side of property ownership, seeing their involvement in the private rental sector as an attractive investment opportunity and as them just playing within the rules of the game (Gagnon and Bergeron 2021). When asked about his business activities of turning rental apartments into condominiums, thereby evicting long-time renters, a property owner in Montreal equated himself to a drug dealer, stipulating that if he was not doing it, someone else would (*ibid*). This research aims to shed light on those relationships: which one(s) do apply, and to what effect, within Montreal's rental housing sector?

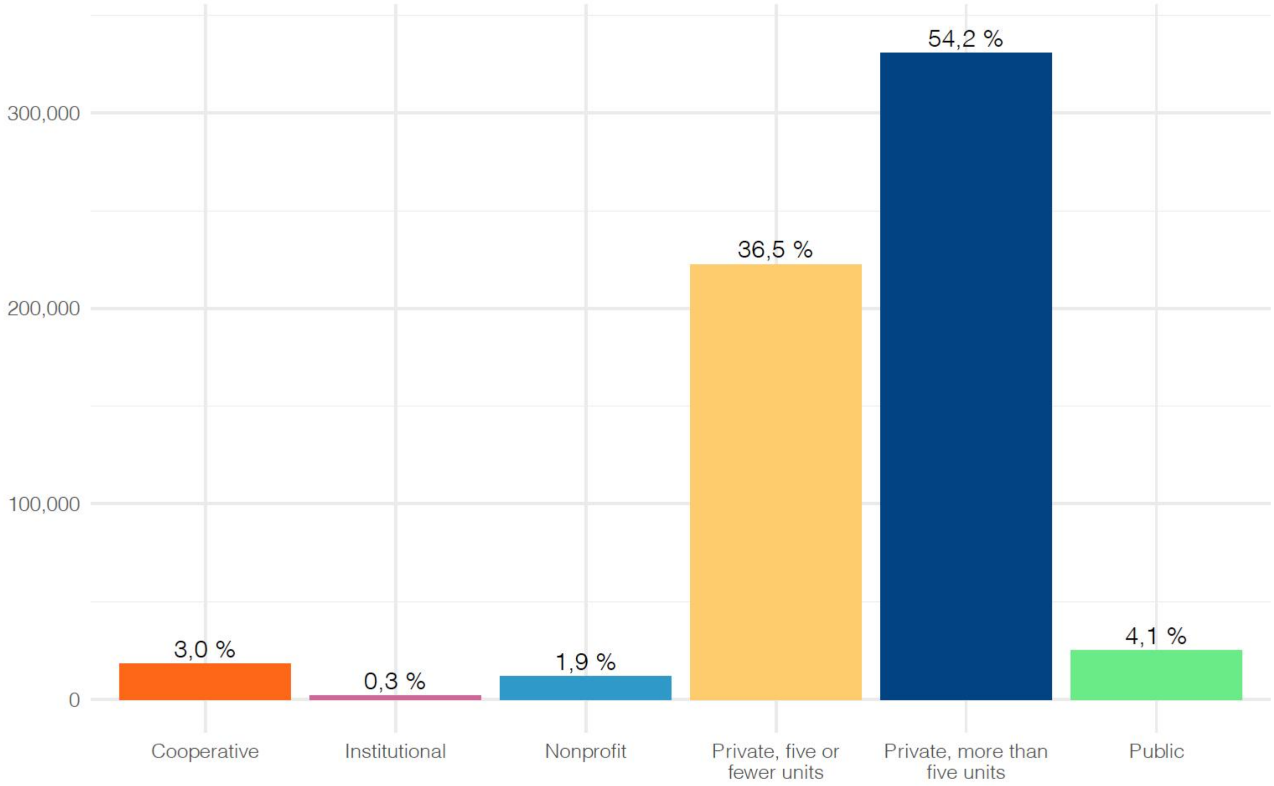
After conducting the agglomeration of landlords by postal address and investigative research, it is now possible to look at the distribution of the number of rental units owned by each landlord in the city. As mentioned above, the top 500 landlords in Montreal own 29.5% of the city's rental units, leaving the remaining 70.5% of units to the remaining 141,400 landlords. While the average landlord owns 4.5 units in Montreal, the top 500 landlords own on average 360 units each. The top 1% of landlords own 38.6% of all of Montreal's rental units. While this distribution includes large public landlords such as the *Office municipal d'habitation de Montréal* and the *Société d'habitation et de développement de Montréal*, the great majority of the non-public landlords remaining are private, as opposed to non-profit organizations or cooperatives. Figure 5.1 summarizes the rental unit concentration in Montreal.

Figure 5.1. Rental unit concentration in Montreal



The figure above shows how concentrated ownership is in Montreal. There is a great concentration of rental unit ownership among the biggest landlords in Montreal. Private landlords, including both corporations and individuals, own 90.7% of the city's rental stock, leaving 4.1% to public institutions, 3.0% to cooperatives, 1.9% to nonprofit organizations and 0.3% to institutional landlords (such as schools). Among private landlords, a distinction is often made between "mom-and-pop" landlords or the "investor landlordism" practitioner and "professional landlords" (Kerrigan 2021, p. 8). The former group is said to be made of upper-middle-class individuals using small-scale landlordism as a means to retirement or generation of supplementary income (Hulse et al 2020; Kemp 2015; Bierre et al 2010) and the latter is composed of large-scale landlords, oftentimes corporations viewed as 'professional' landlords (Graziani et al 2020). A threshold to distinguish between "mom-and-pop" and professional landlords is sometimes set at five rental units (Rosa Luxemburg Foundation 2021) or at one or two rental units (Bierre et al 2010). Kerrigan (2021) criticizes this distinction of landlords based on the number of units owned on the basis that it does not take into consideration change of ownership over time, the landlord's "relationship to finance" and its "access to information or expertise" (p. 9). It also has led to the viewing of "mom-and-pop" investors as a group "framed as ordinary, Everyman subjects" owning property for securing retirement or helping out their family, with the term "investor" preferred to landlord for its more "active and purposive" connotation (Hulse et al 2020, p. 988). However, out of practical utility, if one applies the criteria of owning five units or more, large-scale private landlords dominate Montreal's rental landscape, owning 54.2% of rental units, compared to 36.5% for small-scale private landlords (Figure 5.2).

Figure 5.2. Number of units owned by type of landlord



As we can see, the "mom-and-pop" landlord class is not extinct in Montreal. They still represent an important class of landlords in the city, with the second largest collective ownership group. There are, however, many more small-scale private landlords than there are large-scale private landlords: the former amounts to 126,200 entities owning 222,400 rental units (an average of 1.76 units per entity) while the latter amounts to only 14,100 entities owning 330,600 units (an average of 23.4 units per entity). In Montreal, an individual or household is more likely to be renting from a large-scale private landlord than a small-scale one. Despite the differences that might arise between small-scale and large-scale landlords, the mere presence of financial actors within the private rental housing sector will shift practices, with all firms (financialized or not) "feeling compelled to adopt similar practices to remain competitive" (August 2020a, p. 4). The action of dividing landlords into two classes is often done to "make policy recommendations suggesting a differentiated treatment of landlords based on this division, typically favouring 'small' or 'amateur' landlords" (Kerrigan 2021, p. 9). This has led to a political response favoring this landlord class (Hulse et al 2020, p. 988), while overlooking other players. Such portrayals of “small-scale” operators are also used in the short-term rental sector to vouch for deregulation (Yates 2021; Kerrigan 2021), in markets that are becoming excessively commercialized, such as Montreal (Wachsmuth et al 2021b; Combs et al 2020).

Who are Montreal’s top landlords?

In this section, I give portraits for the largest landlords in Montreal. Figure 5.3 provides a summary of the 50 biggest landlords in Montreal of all types. Without any surprise to Montreal housing history connoisseurs, the *Office d’habitation municipal de Montréal* is the city’s top landlord, with approximately 20,000 units. Following this public landlord is CAPREIT, a publicly listed real estate investment trust with Canadian headquarters located in Toronto. Their objective is “to provide Unitholders [their shareholders] with long-term, stable and predictable monthly cash distributions, while growing Distribution Income and Unit Value through active management of our properties, accretive acquisitions and strong financial management” (“Investor Relations Overview”, n.d.). They own 6,240 rental units in the city. Montreal-based CAPREIT tenants have organized during the Covid-19 pandemic against CAPREIT in response to pest infestations and failure to complete repairs in a timely manner (ACORN 2020). The third biggest landlord is the *Société d’habitation et de développement de Montréal*, a non-profit paramunicipal entity which develops and manages rental units.

Akelius ranks fourth, a property management company whose “main ultimate owner” is the Akelius Foundation (based in the Bahamas), with profits said to remain in the company (“Akelius - About”, n.d.). While Akelius emphasizes its charitable and internally-managed nature on its website, the company has publicly-traded subsidiaries and “is financed in part by its own deposit banks” (August and Walks 2018, p. 129). It is also considered a financialized landlord, whose strategy is to carry out “gentrification-by-upgrading”, whereby higher rents are charged in the pursuit of greater corporate profit (in the range of a 39% increase in rents in Toronto following renovations) (*ibid*, p. 132). Akelius has thus contributed to gentrification in many areas of Toronto. While its effects in Montreal remain largely unstudied, with the exception of newspaper articles published on Akelius’ renovation practices (Simonpillai 2020; Serebin 2018), both cities’ rental stocks are operating under the same corporate logic. Boardwalk REIT ranks fifth, a publicly traded company headquartered in Calgary who reported positive income growth throughout 2020, and with 99.7% of its mortgages secured under CMHC debt (“Our Growth Strategy”, n.d.).

The sixth largest landlord, Réseau Sélection (Sélection Retraite) is owned by a well-known businessman in Québec, Réal Bouclin. His company develops and manages senior housing all over the province, and is considered the “largest private retirement complex in the country” (Selection Group, 2020). While the founder and CEO is considered a “discrete” individual who started with modest means (Jolicoeur 2018), Sélection Retraite’s activities have grown significantly in the past year, with the recent acquisition of the old Molson Brewery’s site, in partnership with the Fonds de Solidarité FTQ, a capital fund and Montoni, a construction company (Selection Group 2019).

In seventh stands Hazelview Properties, formerly known as Timbercreek, a property investment firm which launched a private equity real estate fund in 2007 (August and Walks 2018). This same company has been studied in many hostile takeovers in Toronto (August 2020a) and Ottawa (Crosby 2020), where they acquired multi-family rental apartment buildings and proceeded undertake significant renovations, or what Crosby (2020) termed “financialized gentrification”, a process by which landlords aim to displace lower-income tenants by upgrading and renovating the units to cater to more affluent (typically white) individuals (p.186). Following their acquisition at Herongate in Ottawa, Hazelview Properties wanted to redevelop and intensify the site, by first demolishing existing buildings to replace them with new housing. Some tenants felt that their new landlord had “purposefully neglected the houses in Herongate because they knew they intended to evict tenants, demolish the houses, and build housing that is targeted towards higher income tenants” (Egal 2018 in Crosby 2020; see also Payne 2019). While their property management operations have been rebranded under Hazelview Properties, Timbercreek Capital remains active with Timbercreek Financial, acting as a publicly listed, non-bank lender and a portfolio holder with various types of properties all over Canada, as well as Timbercreek Real Estate Finance US and Ireland (“Company Overview, n.d.).

InterRent REIT is another publicly-listed REIT headquartered in Ottawa, who focuses its activities on secondary markets, where they perceive “greater opportunities for rent increases”, which they achieve through “value add” strategies with capital improvements and by “[...] removing undesirable tenants and implementing policies and processes to attract more desirable tenants" (InterRent 2014 cited in August 2020a). InterRent's own chief financial officer, Curt Millar qualified InterRent as "one of the largest buyers in [Montreal]'s downtown core since 2016" (Kucharsky, 2021). InterRent's property portfolio is composed of older rental buildings. The company is taking advantage of the Covid-19 pandemic to raise funds to acquire properties, primarily in the provinces of Quebec and Ontario, renovate them, and demand increased rent (Beauchamp 2020). Tenants in Hamilton organized against InterRent and its property management company CLV in 2018 for not properly maintaining their units while also asking for an above-guideline rent increase (Molina 2018; Craggs 2018). Both company website information and news articles point to InterRent promoting displacement and contributing to gentrification in the cities it operates in (August 2020a).

Groupe Maurice is a senior housing property manager and developer operating in numerous Quebec cities. Since inception, the company's portfolio has expanded greatly to include 36 residences in Quebec. In 2019 Ventas REIT, one of the largest real estate investment trusts in the world, operating in both senior housing and healthcare, was announced as Groupe Maurice's new financial partner (Groupe Maurice 2019). Groupe Maurice has been the subject of academic research and news articles for its involvement with multinational investment firms, along with Réseau Sélection and Cogir, both part of Montreal's top landlords (Plourde and Pratte 2021; Agence QMI 2021).

Cogir Real Estate is a Quebec-based property management company managing more than 26,000 rental units and 50 private residences for seniors in Quebec, Canada and the United States ("Who we are", n.d.). They qualify themselves as an expert in property recovery, whether it be residential, commercial, office buildings or retirement homes. The company has contributed to the consolidation of Montreal's rental housing stock with the acquisition of condo developer DevMcGill in 2017 (Kucharsky 2017). Cogir is also a real estate developer, with 7 new projects breaking ground in the Montreal CMA since the spring of 2020 (Dubuc 2020). The company has collaborated with Welltower, a publicly listed REIT based in the United States, and institutional investors (*ibid*) on several of their recent projects. Their philosophy is to ensure a "strategic, responsible management of their [investors'] assets, while striving for an increase in property value and a general asset performance that exceeds its reference market" ("Who we are" n.d.). Cogir's partners not only include trusts and institutional investors, but also banks, insurance companies and high-income tenants (*ibid*).

Cogir, Réseau Sélection and Groupe Maurice have been increasing their total number of units owned in the past year, while small senior residences have been closing at a sharp rate: out of the "439 residences having closed its doors in the past five years [2015-2019], 94% of them were small-scale residences" (Plourde and Pratte 2021, p. 19). These trends have led to a concentration (or consolidation) of ownership between the hands of a fewer number of actors, a trend that is also present in the rental housing market at large. Studies in Canada have highlighted how this consolidation in the retirement housing sector have been linked to practices that have been "ethically questionable" and "financially risky" (Plourde and Pratte, p. 41) and linked to "lower staffing levels, lower quality of care and poorer resident outcomes in both the U.S. and Canada" (August 2020b).

Large-scale direct foreign ownership is limited in Montreal's top landlords, with only Akelius (from Sweden, ranked 4th), Montex Developments (from Texas, United States, ranked 14th) and RAAMCO International (from New Jersey, United States, ranked 28th) being headquartered outside of Canada, as of November 2020. It is worth noting that many companies in Montreal's top landlords do have investors, shareholders and/or partners located outside of Canada (as mentioned, for example, with Groupe Maurice above). Although the official "named landlord" might be located in or around Montreal, some of its partners might not be, and it would not be reflected in the table below.

Figure 5.3. Montreal's 50 largest landlords

Rank	Landlord name	Number of rental units owned	Company type	Location of headquarters
1	Office municipal d'habitation de Montreal	19,910	Municipal, nonprofit	Montreal, QC, Canada
2	CAPREIT	6,240	REIT	Toronto, ON, Canada
3	Societe d'habitation et de développement de Montréal	3,730	Municipal, nonprofit	Montreal, QC, Canada
4	Akelius	3,430	Property management	Sweden
5	Boardwalk REIT	3,420	REIT	Calgary, AB, Canada
6	Sélection retraite	2,950	Property management and development	Laval, QC, Canada
7	Hazelview Properties (Timbercreek)	2,680	Property management	Toronto, ON, Canada
8	InterRent REIT	2,560	REIT	Ottawa, ON, Canada
9	Groupe Maurice	1,980	Property management, senior living	Saint-Laurent, QC, Canada
10	Cogir Real Estate GP	1,760	Property management	Brossard, QC, Canada
11	Immoappart	1,750	Property management	Saint-Lambert, QC, Canada
12	Northview	1,730	REIT	Calgary, AB, Canada
13	Cromwell Management	1,700	Property investment and management	Montreal, QC, Canada
14	Montex Developments (CANADA) Inc.	1,680	Property investment and management	Texas, United States
15	Hapopex	1,630	Non-profit property management and development	Montreal, QC, Canada
16	Immeubles Howard Szalavetz Inc	1,520	Property management	Montreal, QC, Canada
17	Groupe Laberge	1,390	Property management	Quebec, QC, Canada
18	Joe Caprera Inc/Saxxcrop	1,380	Property management	Montreal, QC, Canada
19	Les Residences Soleil	1,370	Property management, senior living	Boucherville, QC, Canada
20	Empire Building Management Inc	1,370	Property management	Montreal, QC, Canada
21	OMERS	1,350	Property investment	Toronto, ON, Canada
22	Federal Real Estate	1,310	Property management	Montreal, QC, Canada
23	Cooperative d'habitation Village Cloverdale	1,280	Non-profit property management and development	Montreal, QC, Canada
24	Placements LLC Inc	1,260	Property management	Montreal, QC, Canada
25	Groupe Maxera	1,260	Property management and development	Montreal, QC, Canada

Rank	Landlord name	Number of rental units owned	Company type	Location of headquarters
26	Fairway Group	1,240	Property management and development	Montreal, QC, Canada
27	Aquilini Investment Group	1,160	Property investment	Vancouver, BC, Canada
28	RAAMCO International Inc	1,150	Property investment	New Jersey, US
29	Westmount Estates Management/Groupe Mach/Lieberman Family/BMHL Equities	1,140	Property management and development	Montreal, QC, Canada
30	Creccal Investments Ltd	1,040	Property investment	Montreal, QC, Canada
31	IG Wealth Management	1,000	Property investment	Winnipeg, MB, Canada
32	IMMO 1ere	990	Property management, senior living	Montreal, QC, Canada
33	Societe d'habitation populaire de l'Est de Montreal	960	Non-profit property management and development	Montreal, QC, Canada
34	Raphael Ederhy	940	Property investment	Montreal, QC, Canada
35	Cooperative d'habitation Pointe-St-Charles	940	Non-profit property management	Montreal, QC, Canada
36	Immeubles Agostino	930	Property management	Laval, QC, Canada
37	Bâtir son quartier	920	Non-profit property management and development	Montreal, QC, Canada
38	Groupe Canvar Inc	910	Property investment	Montreal, QC, Canada
39	Gestion Inobel Inc	900	Property investment	Montreal, QC, Canada
40	Rester Inc	890	Property management and development	Montreal, QC, Canada
41	Mecyva Realties Inc (Max Latifi and family)	860	Property management	Montreal, QC, Canada
42	Gestion Immobiliere Langlois	820	Property management	Montreal, QC, Canada
43	Chartwell	800	Property management, senior living	Mississauga, ON, Canada
44	Gestion des Trois Pignons Inc	780	Non-profit property management	Montreal, QC, Canada
45	Alfid Group	780	Property investment and management	Montreal, QC, Canada
46	Groupe Denux	780	Property investment and development	Montreal, QC, Canada
47	Mondev	770	Property management and development	Vancouver, BC, Canada
48	Placements Sergakis	730	Property management	Montreal, Qc, Canada
49	Greenwin	720	Property management	Toronto, ON, Canada
50	Daniel Germain	710	Property management	Montreal, QC, Canada

The units owned by the biggest landlords of the city are displayed in the table above, with company type, number of units owned, range of units within buildings owned and mean number of units by building. REITs usually acquire large multi-family buildings and are some of the city's largest landlords. Cooperatives and publicly owned rental units are scattered throughout the island, with concentrations in the centre. Their apartment buildings tend to be smaller than the private landlords. While there are very few non-profit entities to be found within the top 50 landlords, private, non-REIT landlords make up a significant proportion, with rental properties all over the city.

What is the state of Montreal's financialized landlords?

As mentioned previously, the financialization of Montreal's multi-family rental housing has only been studied partially until now, namely through the study of REITs, private equity and pension funds operating in the province of Quebec (August 2020a) as well as through the financialized housing production occurring in two central boroughs since 2015 (Gaudreau et al 2020b; Gaudreau 2020). This research is designed to both encompass a larger geographic scale and provide a more fine-grained classification of who can be considered a financialized landlord in Montreal. Through investigative research of the top 500 landlords (representing 29.5% of the city's rental stock), each landlord was classified as financialized or not via three questions, drawing from Romainville's (2017) classification of financialized housing developers in Brussels. The three selected determinants of financialization are the following:

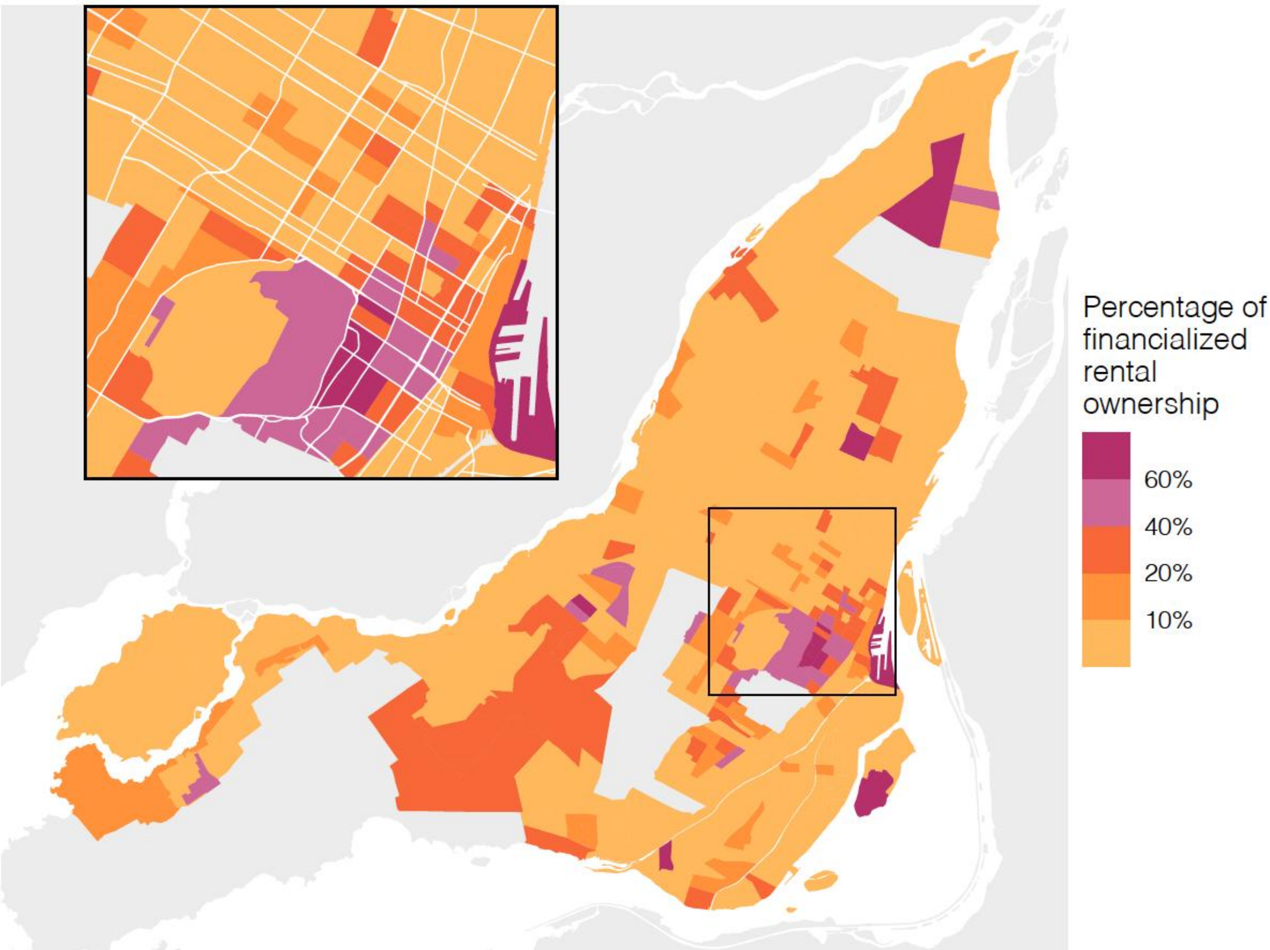
- Presence on stock markets: Is the landlord/company publicly listed?
- Engagement in financial activities: Is the landlord/company engaging in financial activities? (i.e. private investments, private mortgage lending, involvement in financial markets?)
- Indirect engagement in financial activities: Are the landlord/company's other activities associated with financial markets or activities? Are some of their other companies or undertakings involving financial markets or activities?

Each landlord was given a logical answer (TRUE/FALSE) to each of these three questions. This analysis was then joined to each of their rental properties in the City of Montreal in order to generate a geographic representation of financialization in the rental market. The following section looks at the concentration of these financialized landlords, their rates of acquisition through time, as well as their impact on housing indicators. This exercise is meant to be the first exhaustive representation of rental housing financialization in a given city. The goal is to look at the link between high concentrations of rental housing financialization, housing and population characteristics, housing outcomes and spatial patterns.

Where are financialized landlords concentrated?

The percentage of financialized rental ownership ranges from 0% to 92.0%, as depicted in Figure 5.4. Financialized landlords have significant holdings in Montreal's central areas, including the Ville-Marie and Plateau-Mont-Royal boroughs. Census tracts in Saint-Laurent, Côte-des-Neiges-Notre-Dame-de-Grâce and Rivière-des-Prairies-Pointe-aux-Trembles also present high percentages of census tracts with high levels of financialized ownership. The presence of financialized landlords in the city correlates with the proportion of rental housing by census tract, but also the percentage of dwellings that are in apartment buildings of five storeys and more, as we will see with the regression analyses below.

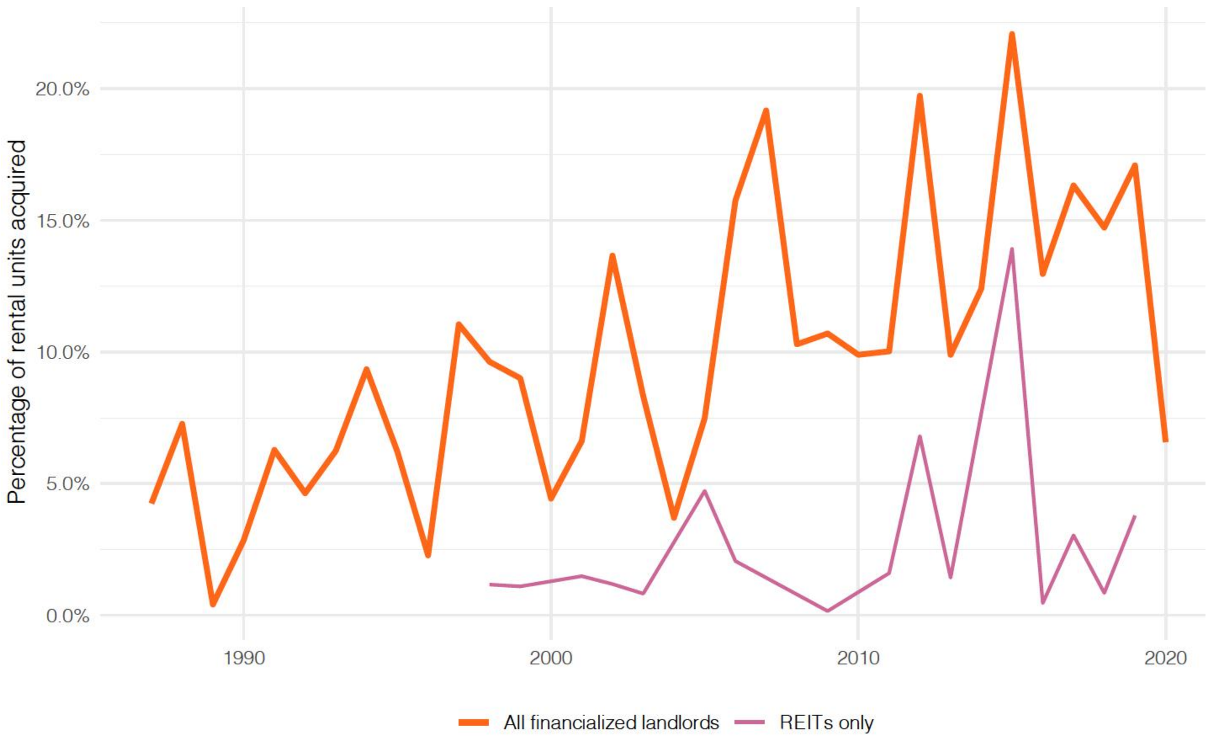
Figure 5.4. Percentage of financialized rental ownership by census tract



When did the trend in financialized activities in Montreal's rental housing market start?

Acquisitions made by financialized landlords can help provide a timeline of their investment interest through time. The following graph shows the number of rental units acquired by Montreal's financialized landlords since 1985. It is important to note that the only available information regarding transactions is the date and the current owner(s)'s names. Information about previous owners is not available, making it impossible to determine whether the rental units in question were sold by a financialized or non-financialized landlord. Transactions from a financialized form of ownership to another would thus not be differentiated from non-financialized owners to financialized owners, meaning that the last transaction might or might not have been the start of a financialized form of ownership for those specific units. However, looking at the progression in investment activity of financialized landlords can help draw a portrait of the evolution of financialized actors through time.

Figure 5.5. Rental housing acquisitions made by current financialized landlords in Montreal out of total rental housing acquisitions



As seen in Figure 5.5, the percentage of financialized acquisitions out of total acquisitions has been growing in uneven spikes since the 1990s, with a general upward trend. REITs acquisitions have however not dominated the financialized acquisitions in Montreal, besides the 2015 spike. The growth in financialized acquisitions has remained above 10% since 2010. The first peak in REIT acquisitions during the mid 2000s might be explained by the 1993 legalization of REITs in Canada. The growth from mid 2000s onwards can be explained by the increasing quantity of rental stock entering the market since 2012, as highlighted by Gaudreau and colleagues (2020b), but also more generally by tighter housing markets and decreases in homeownership rates (Byrne 2020; Fields 2019; Kalman-Lamb 2017). Purpose-built rental housing experienced an increase in interest since the early 2010s. To validate this claim, we can look at the addition of newly-built rental stock owned by financialized landlords, out of total rental units built, as shown in Figure 5.6.

Figure 5.6. Influx of new rental units by year of construction and current financialized status

Figure 5.6 shows the input of new rental units within the city by year of construction. Not all rental units displayed are part of purpose-built rental housing construction: this calculation also includes units that have been purchased as investment properties within condominium developments (units bought by an individual or corporate entity and leased to a renter) the same year the building was constructed. These units remain relevant despite not being purpose-built rentals since investor-landlordism has become a popular practice in the City of

Montreal (Gaudreau 2020), but also within the global neoliberal context (Hulse et al 2020; Kemp 2015). The figure helps us grasp the importance of the influx of new financialized rental units in the city. We see two upward trends: one from 2001 to 2009, and another from 2010 to 2017, with a peak of 1,110 rental units entering the Montreal rental market in 2017. Are these new units contributing to a financialization landscape in the city? What can we learn about the impact of all these financialized landlords on Montreal's rental housing conditions?

Section summary

The previous section used scraped data from the City of Montreal's Property Assessment Database, to find, identify and classify the city's biggest residential landlords. The rental ownership concentration in the city is high: the top 1% of landlords own 38.6% of all units. In terms of landlord types, the dominant landlord class in the city are large, professional private landlords that own more than five units. Collectively, this group owns 54.2% of all rental units. This high private rental ownership concentration proves that Montreal might be less of a "mom and pop" landlord environment than could be expected considering the presence of plexes and other lower-density typologies, albeit small landlords are still present in notable proportions. Numeros REITs compose Montreal's largest private landlords, such as CAPREIT, Akelius and Boardwalk. Other large private landlords include senior housing companies, such as Sélection Retraite and Groupe Maurice. Landlords were also classified by their level of financialization, based on their or their partner's direct or indirect involvement in financial markets, including stock markets. Financialized ownership in Montreal has been on an upward trend since 1990, both in terms of acquisitions and new construction. The share of rental ownership by financialized landlords in the city ranges from 0% to 92.02%, with high concentrations of financialized ownership in central areas. The following section will look at the relationship between financialized rental ownership and housing conditions.

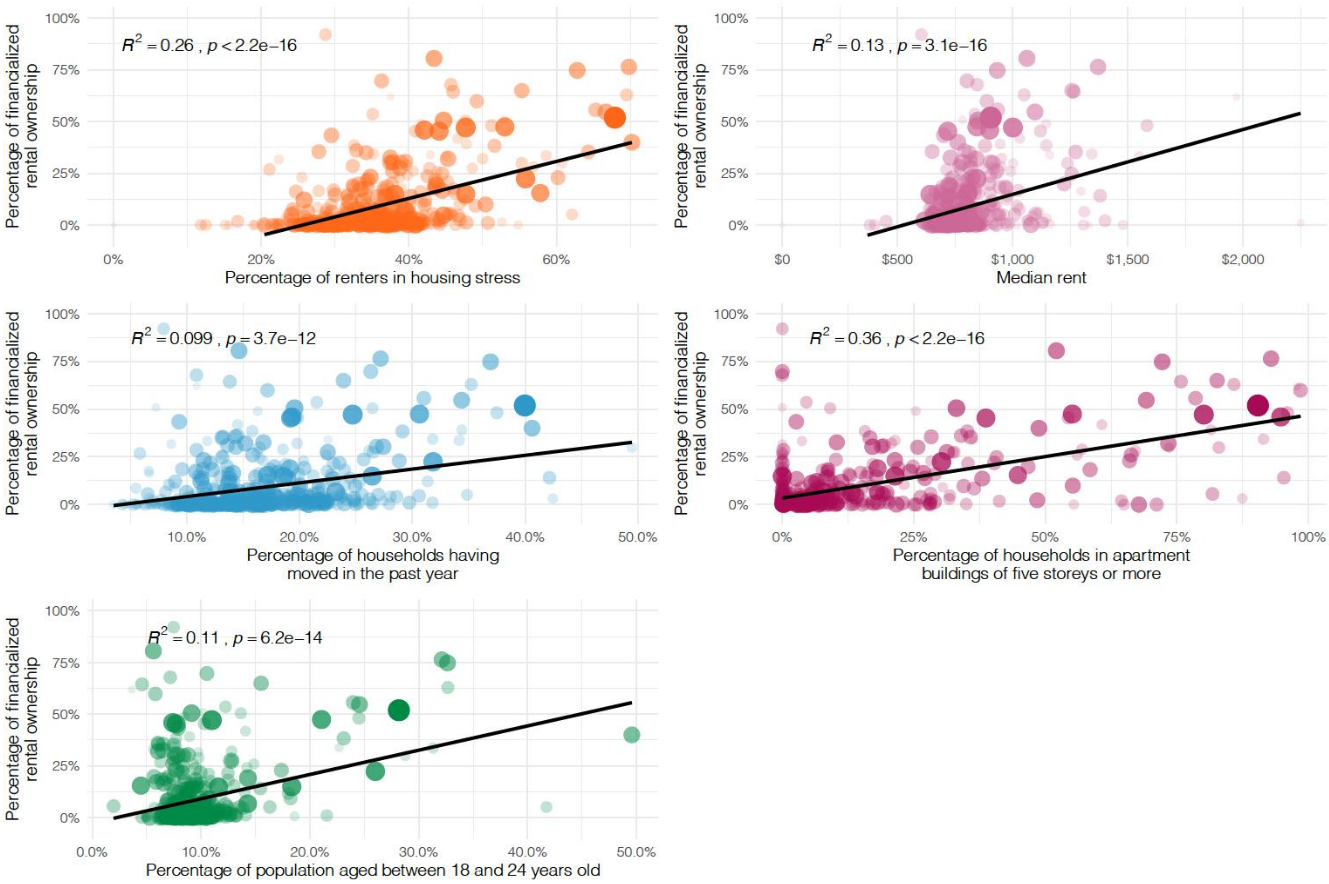
CHAPTER 6: FINANCIALIZED LANDLORDS IN THE CITY

The objective of this chapter is to examine the relationship between financialized landlords and housing indicators, such as average rent, housing stress, change in rental units and average asking rents. First, I provide regression analyses between housing variables and the percentage of financialized rental ownership. Then, I conduct a clustering analysis on the city's census tracts to analyze how the clusters relate to rental housing financialization.

Relationship between financialized landlord presence and rental housing conditions

To determine whether greater financialized landlord presence had an impact on housing conditions, regression analyses as well as clustering analyses were conducted with the PAD dataset and census, CMHC and asking rents data. Those were meant to help quantify the impacts of financialized ownership on Montreal's rental housing. First, single regression analyses were conducted, using the percentage of financialized rental ownership by census tract as the dependent variable, and numerous census variables as the independent variables. Figure 6.1 offers a summary of the regression analyses, keeping the ones with an R squared coefficient lower than -0.1 or higher than 0.1.

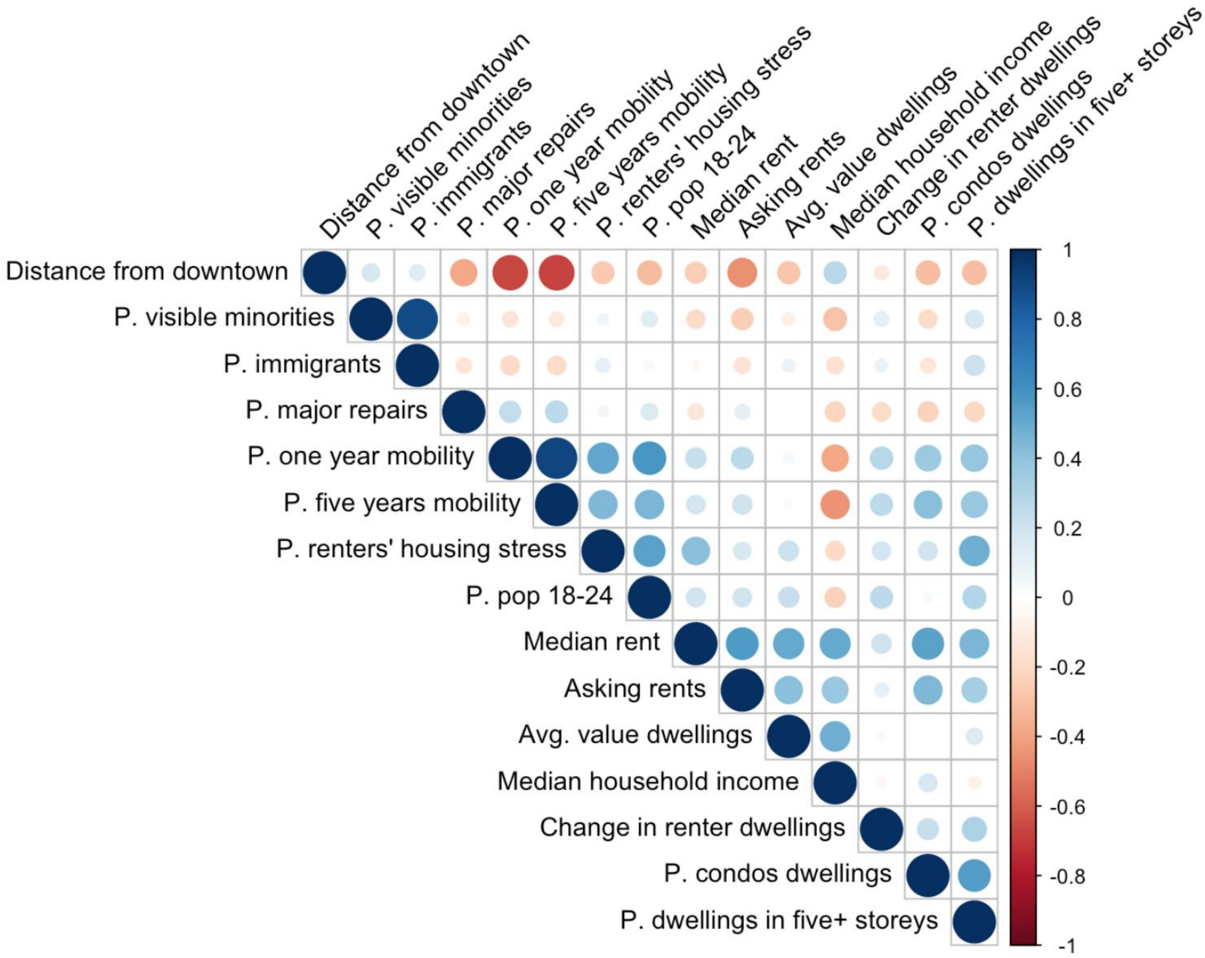
Figure 6.1. Single regressions of census variables with percentage of financialized landlords by census tract



The strongest relationship between two variables is that of the percentage of households in apartment buildings of five storeys and more and the percentage of financialized rental ownership, with an r-squared of 0.36. This indicates that the activity of financialized landlords in the city is concentrated in higher density areas. There is a moderate positive (r-squared of 0.26) relationship between the percentage of renter households experiencing housing stress (i.e. spending more than 30% of their income on housing) and the percentage of financialized rental ownership by census tract. Indeed, the simple linear regression model suggests that one quarter of the variation in housing stress between census tracts can be explained by the inter census tract variation in the proportion of financialized landlords. The correlation between residents aged between 18 and 24 years old and financialized landlords is weak and positive, with an r-squared of 0.11. Although both median rents and the percentage of households having moved in the past year are correlated to a lesser extent (0.13 and 0.10 respectively), they do present a positive relationship with the presence of financialized landlords within the City of Montreal.

In order to get a better understanding of the relationship among the variables available for this analysis, a multiple regression was conducted. To limit the potential for multicollinearity, a correlation matrix was developed out of all the potential independent variables that could be part of the multiple regression, illustrated in Figure 6.2 below.

Figure 6.2. Correlation matrix



Variables that are different yet strongly correlated with each other are the one and five-year mobility and the percentage of visible minorities and immigrants. The regression model thus made sure to include only one of the two highly correlated variables in order to limit multicollinearity.

The design of the regression model was based on theory in the housing financialization literature. It builds off findings from various researchers to determine which variables should be included in the model. First, August (2020a), in her Canada-wide study of REITs and REIT acquisitions mentions that multi-family rental housing is an asset class that is of great interest to financialized landlords. Multi-family buildings have also been the target of predatory equity in the United States (Fields 2017), Sweden (Hansen et al 2015) and Spain (García-Lamarca), to name a few. García-Lamarca (2020), in her study of rental housing financialization in Barcelona found that Blackstone (Spain's largest REIT) owned flats were priced significantly higher than the average neighbourhood rent, usually ranging between 101%-150% higher, and at times up to 151-245% higher (p. 11). Strategies to increase rents as a way to increase profits is commonly found within the housing financialization literature (García-Lamarca 2020; August 2020a; Crosby 2020; August and Walks 2018; Fields 2017, 2015). August and Walks (2018) noted that the presence of certain financialized landlords in Toronto inner-city and suburban neighbourhoods came with higher percentages of visible minority and foreign-born populations, at a $p < 0.05$ level of statistical significance (p. 131). Fields and Raymond (2021) note the importance of viewing financialization as a process that "reproduces racial logics and violence embedded in capitalism since its inception" (p. 14), with property being a mechanism of racial dispossession (McElroy 2020). August and Walks (2018) also highlight the strategies used by financialized landlords to extract more value from their investment, with one being "displacement, upgrading and gentrification", which implies the removal of long-term tenants for newer ones, usually willing to pay higher rents (2018, p.132). Crosby (2020) also found the same type of strategies in Ottawa, where Timbercreek served eviction notices to tenants from the Herongate neighbourhood following their acquisition, in order to demolish and rebuild on the site. The Herongate neighbourhood is a significantly racialized one, with tenants also having lived there for many years. Lastly, Revington and August (2020) have highlighted the financialization of student housing as a new frontier of housing financialization, showing the numerous advantages of a market with such a high turnover rate.

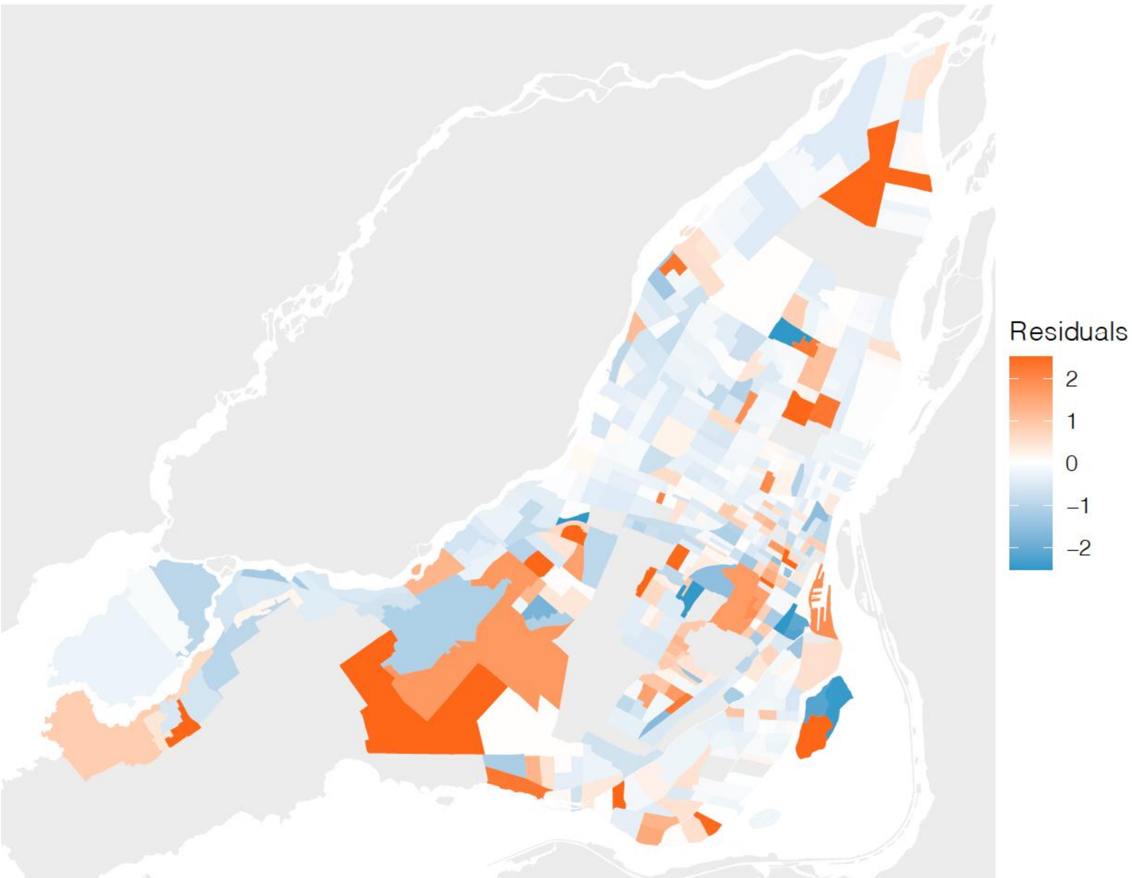
Those findings help us theorize what types of variables should be included in the model. This research acts as an avenue that could help us test the quantitative impacts of the presence of financialized landlords on a large, city-wide scale. Based on what should be included in a multiple regression model according to inquiries from previous studies, the model includes the following variables: median rent, median household income, the percentage of renters spending more than 30% of their income on rent, percentage of households having moved in the past year, percentage of immigrant population and percentage of dwellings situated in buildings of five storeys or more. Figure 6.3 shows results for the regression model.

Figure 6.3. Multiple regression model

	Dependent variable:
	`P. financialized rental ownership`
`P. renters' housing stress`	0.420***
	(0.086)
`Median rent`	0.0001*
	(0.00004)
`P. one year mobility`	-0.119
	(0.116)
`P. visible minorities`	0.048
	(0.036)
`P. dwellings in five+ storeys`	0.310***
	(0.034)
`P. pop 18-24`	0.340*
	(0.182)
Constant	-0.182***
	(0.038)
Observations	462
R^2	0.423
Adjusted R^2	0.415
Residual Std. Error	0.117 (df = 455)
F Statistic	55.489*** (df = 6; 455)
Note:	*p<0.1; **p<0.05; ***p<0.01

Although there have been no attempts to account for spatial autocorrelation in this model, this model is useful in helping us understand the key dynamics at play with increased rates of financialized ownership in the City of Montreal. A figure of the residuals of this regression model is available below (Figure 6.4). The distribution of the residuals does not show strong patterns of spatial clustering, indicating low levels of spatial autocorrelation. The model shows a high significance between the percentage of renters in housing stress and the percentage of dwellings in buildings of five storeys and more with the percentage of financialized rental ownership, at a p value of $p < 0.01$. There is a strong relationship between median rent and the percentage of the population that is between 18 and 24 years old with the percentage of financialized landlords, at a $p < 0.05$ significance level. There is no significant relationship between the percentage of financialized ownership and either the one-year mobility of households or the percentage of immigrants. In all, the model shows a 0.423 R squared coefficient, confirming the relationships between the selected independent variables with the dependent variable of interest.

Figure 6.4. Residuals plot of the multiple regression model

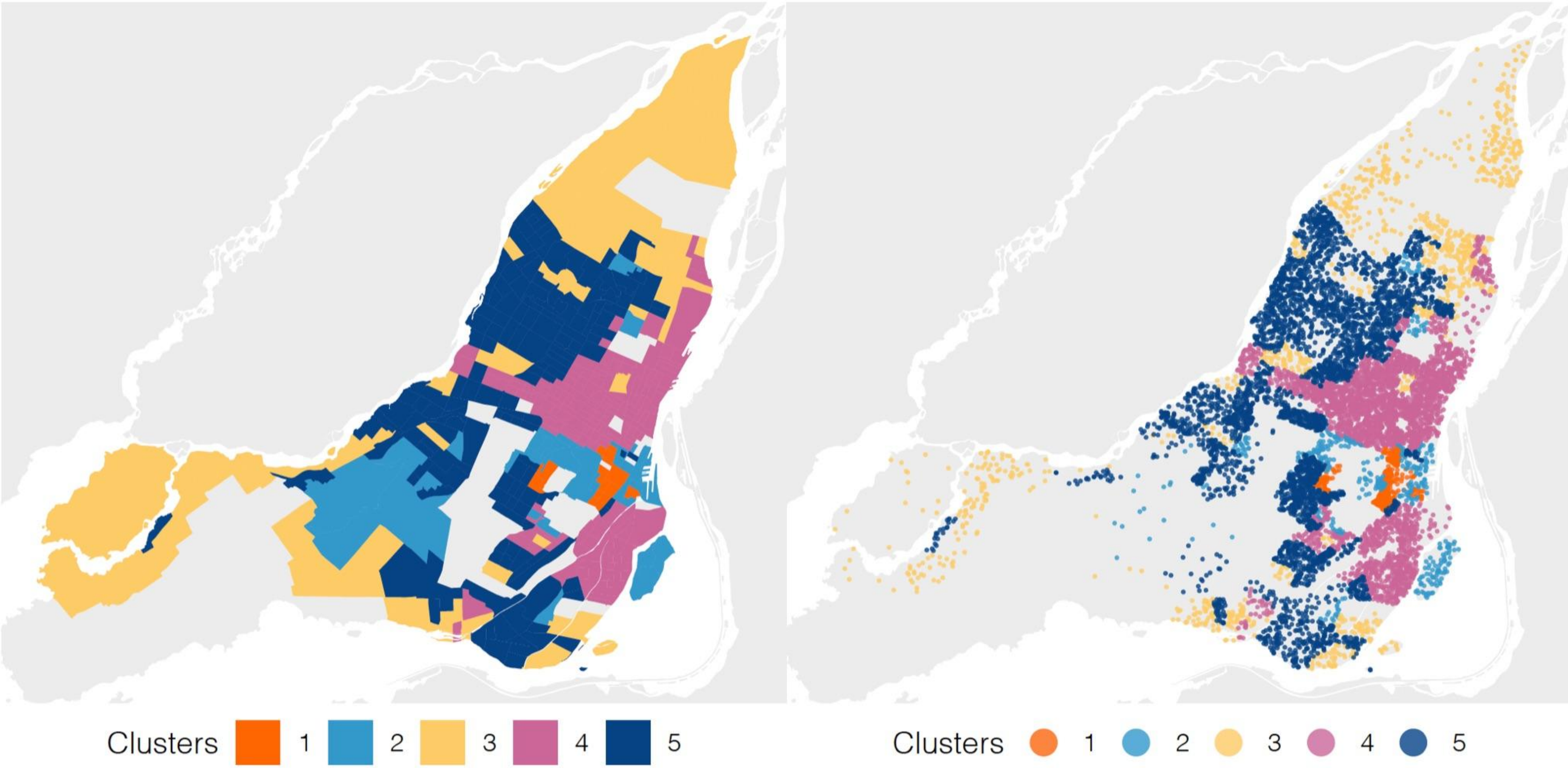


Clusters and rental housing financialization

While regression analyses can help to understand the relationship between two or more variables, this research used k-means clustering analysis to establish relationships between a complex set of variables that includes both census data and asking rents data, along with a new variable which is the percentage of financialized rental ownership by census tract. K-means clustering aims at grouping all the observations in groups by minimizing the distance between each point and its assigned cluster's centroid. The clustering gathers groups of observations (in our case, the census tracts) based on their reciprocity with each other for the given variables. The clusters are determined by making groups that, when combined, minimize the distance between each observation and its group's centroid. K-means finds the clusters with no dependent (or response) variable. In other words, the result of the clustering analysis in this research has not been influenced by the dependent variable - i.e. the percentage of financialized ownership - since it was added onto the clusters **after** computing the k-means clustering. Once the clustering is conducted, one can then potentially categorize the clusters based on a given categorization variable, in our case the percentage of financialized landlords. One can determine the optimal number of clusters via different methods, including but not limited to the following: the silhouette method, the elbow method and the gap statistic method (see "K-means Cluster Analysis" n.d. for more details). All three methods were computed, giving an optimal number of clusters of four and five. The k-means clustering exercise was conducted with a number of clusters from three to seven, which were all evaluated in relationship to the variable of interest (percentage of financialized rental ownership). The diagnostics suggested that four or five clusters were optimal. When qualitatively comparing the results with four and five clusters, one significant noted difference relevant to the theoretical ambitions of the paper was that five clusters enabled the separation of high concentration of financialized landlords into two groups with notably distinctive characteristics, as opposed to lumping them all in one group with four clusters. This separation permitted the exploration of relationships of interest within the rental housing financialization literature.

The clusters separated all 462 census tracts from the 2016 census that displayed complete information for the selected fields (to conduct a k-means analysis, all variables must not have NA values) into five groups that shared similar characteristics. Each group's financialized rental ownership average was calculated, ranging from 4.05% to 46.17%, with a city-wide average of 10.15%. The clustering enabled the discovery of two groups of census tracts with high percentages of financialized ownership, both with contrasting differences. The remaining three groups had percentages of financialized ownership lower than the city average, but still displaying important nuances. The first important contrast between the clusters is their geographic location, as displayed in Figure 6.5 below, to the left by census tract only and to the right by population density, with one dot representing 50 households.

Figure 6.5. Spatial repartition of clusters, by census tract (right) and population density (1 dot = 50 renter households)



Census tracts in clusters 1 and 2 are primarily concentrated close to downtown Montreal. Census tracts in cluster 3 are located in the outskirts of the city, which are oftentimes categorized as the suburbs of the Island of Montreal. Cluster 4 includes parts of Le Plateau Mont-Royal, Le Sud-Ouest, Rosemont-La-Petite-Patrie and Mercier-Hochelaga-Maisonneuve, all dense and mostly residential boroughs. Cluster 5 includes census tracts from numerous boroughs, mostly all situated on the periphery of the Island, but with higher population density compared to tracts in cluster 3. Beyond geographic similarities among clusters are the variables of interest. Figure 6.6 displays the results of the clustering analysis by cluster number, with the average percentage of financialized ownership, as well as all the census variables and asking rents. The two rows highlighted in yellow are the clusters displaying a high percentage of financialized ownership. Entries are coloured in dark pink if they are higher than average, and in blue if they are lower. The city-wide average is displayed at the bottom of the table. As we will see, the distinctive nature of each cluster enables the labelling of each based on their attributes.

Figure 6.6. K-means clustering analysis results with labelled names

	Clusters	Percentage of financialized landlords	Median rent	Average asking rent	Percentage of renter households in housing stress	After-tax median household income	Average value of dwellings	Percantage of renter households	Percentage of households in condos
Precarious and student financialized	1	46.17%	$ 985.16	$ 1,366.33	60.53%	$ 31,224.72	$ 521,517.30	83.02%	26.59%
Affluent fianancialized	2	31.08%	$ 1,142.43	$ 1,605.59	42.81%	$ 78,524.40	$ 610,102.00	42.46%	51.92%
Suburbs	3	5.79%	$ 761.66	$ 1,139.75	30.80%	$ 66,612.05	$ 372,376.70	39.17%	16.25%
Gentrifying central periphery	4	5.24%	$ 777.69	$ 1,327.53	35.10%	$ 49,047.38	$ 415,879.50	70.34%	20.29%
Immigrant outskirts	5	9.07%	$ 745.34	$ 1,108.45	35.43%	$ 45,465.22	$ 428,478.70	70.87%	11.86%
City average (for CTs part of the kmeans clustering analysis)		**10.15%**	**$ 789.88**	**$ 1,228.08**	**36.33%**	**$ 52,462.68**	**$ 435,589**	**63.16%**	**18.88%**

(1 out of 2)

	Clusters	Percentage of households in buildings of five storeys or more	Percentage of visible minority	Percentage of immigrants	Percentage of households having moved in the past year	Percentage of households having moved in the past five years	Distance from downtown	Change in the number of renter dwellings	Percentage of households requiring major repairs	Percentage of population aged between 18 and 24 years old
Precarious and student financialized	1	68.37%	46.64%	35.61%	34.49%	72.57%	1434.9	380.0	6.40%	26.37%
Affluent fianancialized	2	48.98%	26.55%	35.77%	15.02%	45.07%	4277.1	136.6	5.53%	7.71%
Suburbs	3	4.05%	27.70%	27.73%	9.42%	32.09%	14568.2	-8.3	5.92%	8.60%
Gentrifying central periphery	4	7.46%	18.55%	21.30%	19.49%	52.84%	4552.8	18.8	9.85%	9.41%
Immigrant outskirts	5	12.11%	48.57%	46.25%	14.26%	43.61%	8637.9	17.6	8.09%	8.77%
City average (for CTs part of the kmeans clustering analysis)		**13.84%**	**34.04%**	**34.24%**	**15.35%**	**44.76%**	**7553.5 m**	**38.15**	**8.01%**	**9.34%**

(2 out of 2)

Cluster 1: Precarious and student financialized

The cluster with the highest percentage of financialized ownership is cluster 1, with an average of 46.17% (city-wide average is 10.15%). It has been labelled as *precarious and student financialized*. This cluster is the one with the highest percentage of renter households experiencing housing stress, with 60.53% of households being housing stressed (compared to an average of 36.33% for the city). Both median rents ($985.16) and asking rents ($1,366.33) are well above city averages ($789.88 and $1,228.08 respectively), while the median household income (after tax) is the lowest out of the five clusters, situated at $31,225 (with the city average standing at $52,463). It has a high percentage of renter households (83.02%), and a percentage of households living in condominiums that is higher than the city average (26.59% compared to 18.88% for the city). Most households (68.37%) live in buildings of five storeys or more, compared to a city-wide average of 13.84%. Cluster 1 has the highest mobility percentages, with more than a third (34.49%) of its households having moved in the past year, and almost three fourths (72.57%) having moved in the past five years. It is the cluster that has seen the highest *increase* in the number of rental housing units within each census tract (380.0), meaning that these tracts have seen a large net influx of rental units being built (or, albeit less plausible, ownership units being converted into rental units). The percentages of people who identify as part of a visible minority group as well as immigrants are both higher than the city average, standing at 46.64% and 35.61% respectively. These census tracts are situated the closest to downtown, with an average of 1.4 kilometres. The proximity to universities, combined with the low median household incomes, the high levels of renter housing stress, high levels of mobility and the quarter of its residents aged between 18 and 24 years old can lead us to theorize that cluster 1 is predominantly made up of student neighbourhoods. Cluster 1 can be described as "precarious and student financialized" renters: their populations show a majority of highly mobile renter households living high-rise apartments; they are experiencing high rents and high housing stress with limited incomes; they are predominantly part of either a visible minority of immigrant group; and they are located in central areas of Montreal, mostly student areas, within tracts that have experienced a net positive growth in the number of rental units available. Cluster 1 stands in contrast with cluster 2, which also has a high proportion of financialized rental ownership, by its higher level of precarity.

Cluster 2: Affluent financialized

Cluster 2 can be described as "affluent financialized". On average, 31.08% of the rental units are owned by financialized landlords. These renters experience the highest median ($1,142.43) and asking ($1,605.59) rents in the city, although with much lower levels of housing stress (42.81%) than the precarious and student financialized cluster (while still being above average). Almost half of housing units are situated in buildings of five storeys and more (48.98%), but this represents half of the proportion of cluster 1. Compared to the precarious and student financialized cluster, cluster 2 has the highest median household income out of the five clusters ($78,524), as well as the highest average property value ($610,102). The percentage of renters is much lower than the average (42.46% compared to 63.16% for the city), and the percentage of condominiums much higher, with 51.92%. Looking at the location of the census tracts from this cluster, high condominium rates could come not only from residences in the old port, but also lower density topologies such as plexes in which units have been converted into condominiums (either *copropriétés divises ou indivises*). Households in the affluent financialized cluster have a lower than average 1-year mobility rate, with only 15.02% of households having moved in the past year (and 45.07% in the past five years, slightly above average). The percentage of visible minorities is lower than average (26.55%), while the percentage of immigrants stands close to the city average (45.07%). The census tracts in this cluster are situated relatively close to downtown, with an average of 4.3 kilometres (compared to 7.6 for the city average). These tracts have seen a high increase of rental units, with an average of 136.6 units being added, most likely due to purpose-built rentals or densification. This cluster has the lowest average of individuals aged between 18 and 24 years old, at 7.71%. Cluster 2 can thus be described as "affluent financialized", since even though they have an above-average percentage of financialized rental ownership and experience above-average levels of housing stress and rents, these households do have higher disposable incomes and are predominantly white. Their tenure is more stable, and they are still located in close proximity to central areas of the city.

Cluster 3: Suburbs

The third cluster exhibits the characteristics that one would expect of suburban areas: low percentages of both renter households and condominiums, low percentage of households living in buildings of five storeys or more, low percentages of mobility and high distances from the downtown core. Both the median rent and asking rent averages are lower than the city-wide average, albeit not the lowest out of the five clusters. Households have median incomes that are higher than the Montreal average, and the average value of properties is slightly lower than average. Overall, the number of rental units has stayed relatively stable. It is thus to be expected that very low levels of renters and low building density would be a very difficult geography for financialized landlords to invest into. This probably explains why the suburban cluster has the lowest percentage of financialized rental ownership, standing at 5.79%. This stands in contrast with American studies of housing financialization that have seen a strong and growing pattern of mass acquisition of single-family houses by financialized actors (Fields 2019). It is important to note that *en masse* acquisitions of single-family homes have gained ground in Canada, more specifically in Toronto (Younglai 2021). These low levels of financialization in low density suburban areas might shift in the coming years, and is a trend that requires researchers to keep an eye open.

Cluster 4: Gentrifying central periphery

As shown in Figure 6.6, tracts from cluster 4 seem to be the ones located in boroughs situated next to the downtown core, such as Le Sud-Ouest and Le Plateau-Mont-Royal. It is the cluster with the third lowest distance from downtown, with an average of 4.6 kilometers (compared to 7.6 kilometers for the city average). Cluster 4 has the lowest percentage of financialized ownership (5.24%), which could be explained by a small proportion of buildings of five storeys or more (7.46%), but not by its low proportion of renters, since the average of renter households for this cluster stands at 70.34% (compared to the 63.16% city average). Median rents for cluster 4 are slightly lower than average ($777.69), while asking rents are slightly higher than average ($1,327.53). Renter households experience slightly below-average levels of housing stress and median household incomes. Cluster 4 is the one where the percentages of visible minority and immigrant populations are at their lowest, 18.55% and 21.30% respectively, compared to the city averages of 34.04% and 34.24%. Resident mobility is higher than average, with 52.84% of households having moved in the past five years. Lastly, condominium percentages are higher than average, combined with a low number of rental households being added within each census tract. Those characteristics indicate neighbourhoods that are or have been gentrifying. The ethno-racial composition is predominantly white and non-immigrant, asking rents are higher than average and rental unit increases are half that of the city average. It also has a slightly above-average percentage of population aged between 18 and 24 years old. Cluster number 4 can consequently be described as “gentrifying central periphery”. Although situated centrally, the composition of the housing stock might have inhibited financialized acquisitions due to its smaller building size. This assumption has validity, but new trends of acquisitions of smaller buildings might make this shift in the coming years. It will be interesting to observe in the future whether this trend still holds, or whether such neighbourhoods will become the next financialization frontier in the city.

Cluster 5: Immigrant outskirts

Census tracts within the fifth cluster are mostly situated at the outskirts of the city including large sections of Montréal Nord, Saint-Léonard, Villeray-Saint-Michel-Parc-Extension, Ahuntsic-Cartierville, Lasalle, Saint-Laurent and Côte-des-Neiges-Notre-Dame-de-Grâce. Cluster 5 has both the lowest median rent ($745.34) and asking rents ($1,108.45) of the five, the second lowest median household incomes ($45,465) and third lowest average property values ($428,479). 35.43% of renters within this cluster experience housing stress, which is slightly lower than the city average. One average, 35.43% of renters experience housing stress, which is slightly lower than the city average. These areas have an above-average proportion of renters, and the lowest percentage of dwellings in condominiums out of all five clusters. Most housing is situated in lower-density buildings (only 12.11% situated in buildings of five storeys or more), and the percentage of housing mobility (both 1 and 5 years) is lower than the city average. Census tracts are located on average 8.6 kilometers away from the downtown core. Cluster 5 has the highest percentages of both visible minority and immigrant population, respectively 48.57% and 46.25% (the city averages standing at 34.04% and 34.24%). Given its large proportion of immigrant population as well as its high distance from downtown, cluster 5 has been named “immigrant outskirts”. Its housing typology composed of lower density buildings and its distance from the city core might explain its low percentage of financialized rental ownership, situated at 9.07%, although this cluster has the third highest level of financialized rental ownership.

Those five clusters exhibit different characteristics, independently of the percentage of financialized rental ownership they have. However, when adding the average percentage of financialized landlords to each cluster, we can see the defining traits that are strongly associated with their presence. Not only do we know that the percentage of financialized landlords is positively associated with the percentage of dwellings situated in buildings of five and more storeys, the percentage of residents aged between 18 and 24 years old and the presence of housing stress; the k-means clustering analysis also allows us to develop a more fine-grained description of socio-spatial factors at play. Both clusters displaying high levels of financialized ownership have median and asking rents that are well above the city average, as well as high levels of housing stress. Both clusters have denser living typologies, but the precarious and student financialized cluster far surpasses the affluent financialized cluster in that measure. Both clusters are also situated close to the downtown core. We can also draw a sharp contrast between these two clusters. On one hand, cluster 1 has the lowest median household income out of all clusters, highest levels of household mobility along with a high proportion of visible minority and immigrant populations. It also has a far above-average percentage of young adults (18-24), indicating a cluster predominantly made up of student neighbourhoods. We can thus conclude that cluster 1 represents a precarious, student renter class that is also experiencing the highest levels of financialization in the city. On the other hand, cluster 2 also has a high proportion of financialized ownership and housing stress, but at the same time more than double the median household income of cluster 1. Average property values are the highest of all clusters, accompanied by low levels of housing mobility and high level of rental unit loss. The population in cluster 2 is predominantly white, with higher homeownership rates than average. Cluster 2 stands in contrast with the first: although housing stress is high, it is of reduced significance given that incomes are also high.

Section summary

This section aimed to determine the relationship between financialized ownership and housing indicators using single and multiple regressions as well as a k-means clustering analysis. The regression analyses showed a positive relationship between percentage of immigrant population, percentage of dwellings situated in buildings of five storeys or more and percentage of renter housing stress with the percentage of financialized landlords by census tract. To give a more exhaustive portrait of the dynamics at play, the k-means clustering analysis separated all census tracts in five clusters that optimized the commonalities within each. Two clusters emerged as highly above average in terms of financialized landlord presence. The first can be described as “precarious and student financialized” because of its high housing stress, high rents, high mobility, high student presence, low incomes and high presence of racialized communities; whereas the second one can be described as “affluent financialized” due to high housing stress, high rents but high incomes, low mobility and high proportion of white population. The other three clusters have also helped us paint the picture of why rental housing financialization has become concentrated in certain areas of the city (mainly central ones); largely as a result of low levels of dense housing and/or high percentages of ownership tenure present elsewhere.

To summarize, rental housing financialization in Montreal is strongly associated with rental housing stress. Two types of renters have emerged as being the subjects of rental housing financialization: precarious and affluent *financializees*. The former seems to be confronted with high levels of housing stress due to their small disposable incomes, but also potentially since the precarious renters have a higher percentage of the population that is made up of younger, potentially student individuals. The precarious and student financialized is composed of above-average racialized and immigrant populations. The affluent financialized group is predominantly white, has low levels of housing mobility, and also appears to be spending more on housing related costs by “choice”, given their high disposable incomes. Nevertheless, both groups are located centrally, with great percentages of dwellings situated in denser apartment buildings and have much higher proportions of dwellings situated in condominium-type apartments. Compared to patterns of financialization in Toronto (August and Walks 2018), rental housing financialization in Montreal appears to have occurred primarily in central areas; however, a larger geographic area of study would be required to determine the extent of suburban rental housing financialization on both the North and South Shores (Longueuil, Laval, Brossard, etc). Also, a more systematic approach to classifying smaller corporate landlords, as opposed to an automatic categorization, could identify some nuances between different neighbourhoods in Montreal. There are currently very low levels of rental housing financialization in smaller housing typologies in Montreal, as opposed to single-family rental housing financialization patterns found in the United States (Fields 2019). This might be a reflection of different policy responses following the Global Financial Crisis (Walks and Clifford 2015) but might also mean that this frontier has not been reached yet, although currently occurring in the Greater Toronto Area (Younglai 2021). More research would also be required to confirm the impact of this phenomena on renters' lived experiences. This quantitative exercise has nonetheless helped shed light on rental financialization in a generally overlooked geography and has provided an empirical methodology that enables the construction of an in-breadth portrait of rental housing financialization.

CHAPTER 7: DISCUSSION

In this section, I provide a summary of the findings from the research, going over the key objectives of the study, the methods used and their limitations, as well as interesting observations that have stemmed from this research. Before concluding, I go over potential research avenues for studying the financialization of Montreal's rental housing sector.

Discussion

The financialization of rental housing has increasingly become the subject of inquiry for researchers and activists alike because of the multiple impacts it is having on residents and housing markets worldwide. Although the participation of finance in society is not new, it has propagated into numerous, previously non-financialized sectors of urban and rural life. Finance has also taken a different role in the past decades. Innovative financial technologies, the globalization of finance and the increased participation of the private sector accompanied by deregulation (Sassen 2014) have all contributed to the making of the current state of financialization worldwide. In the Canadian housing sector, financialization is not only observed in mortgage markets (Kalman-Lamb 2017; Walks 2016), but also the private rental housing sector, which is experiencing consolidation of rental stock (August 2020a) to the detriment of tenants (Crosby 2020) via the increasing presence of large financial actors, REITs and growing local firms (Gaudreau 2020; August 2020a).

This research aimed to provide a descriptive overview of the financialization of rental housing in Montreal, with an emphasis on the geospatial dynamics of financialization and its distinctive characteristics, both within Montreal but also compared to other Canadian cities. It also aimed to provide a methodological toolkit based on open data and statistical methods to assess the impact of financialized landlords on housing determinants.

Montreal has been experiencing waves of financialization similar to other cities in Canada. Real estate investment trusts have been acquiring large amounts of rental housing stock, making them some of the largest private landlords in the city. The purpose-built rental housing sector has also welcomed large institutional actors and private equity firms within the corporate structure of large construction projects, often done in the form of partnerships via temporary, transitory numbered companies (Gaudreau 2020). The largest senior housing companies have also started to participate in the financialization of Montreal's housing stock by associating with REITs and private equity firms (Plourde and Pratte 2021). Also, local landlord-investors have become prominent, acquiring large numbers of units and further contributing to the consolidation of the city's rental housing stock. Montreal's rental housing sector is thus dominated by large private landlords, with 54.2% of the units being owned by landlords owning more than five units.

This research has managed to categorize landlords based on their level of financialization. By doing so, it was possible to establish relationships between the presence of financialized landlords and certain housing indicators. The percentage of financialized landlords by census tract is positively correlated with the percentage of households living in buildings of five storeys or more, the rate of renter's housing stress (renter households spending more than 30% of their income on housing costs) and, to a lesser extent, median rent, the percentage of households having moved in the past year and the percentage of the population that is aged between 18 and 24 years old. These findings show that financialized landlords are correlated with higher renters' housing stress and median rents. A cluster analysis has permitted the distinction between two renter populations that have been experiencing the highest levels of financialization in Montreal, out of a total of five clusters. The first, named precarious and student financialized renters, is composed of census tracts with the highest levels of renter housing stress and the lowest levels of median household income (after-tax). Those renters live more centrally in high-rise apartment buildings, have moved much more than average and pay higher rents than the city's average. It is also the cluster that has a significant percentage of population aged between 18 and 24 years old, which indicates that this cluster is one composed of student neighbourhoods. These tracts are the ones that have also seen the highest net increases of rental dwellings being added, which could indicate an influx of financialized, purpose-built rentals in those areas. The second financialized cluster, the affluent financialized, has the highest average median incomes of the five, but also pays the highest rents. The population is predominantly white and lives in census tracts with higher-than-average levels of both homeownership and condominiums. High-density living arrangements make up half of the dwellings of these tracts, and households tend to have moved less in the shorter time frame (1 year) than its counterparts. Even though they experience above-average housing stress, those households are also the ones with the highest disposable incomes, standing in contrast with the first cluster. The three other clusters exhibit distinctive characteristics, although they do not have high levels of rental housing financialization. The third cluster is composed of mostly suburban areas at the outskirts of the city, with lower rents, high homeownership rates and low building density. The population is mostly white, earning above-average incomes and have moved less in the past few years. The fourth cluster is consistent with a gentrifying central periphery. Asking rents are higher than average, the population is mostly white and non-immigrant with higher levels of population aged between 18 and 24, and the clusters are predominantly situated around the downtown core. The last cluster has the highest levels of visible minority and immigrant populations, high percentage of renters and the lowest rents. The census tracts in the cluster are situated further from downtown, and households tend to have moved less in the past few years. In itself, conducting a cluster analysis with census data and scraped data from Kijiji and Craigslist allows us to see five interesting patterns of census tracts in the city. Once the percentage of financialized landlords is incorporated, we can see clear patterns of concentrated financialized rental ownership in the city, as well as the relationship with various housing and socio-demographic variables.

The categorization of landlords based on their level of financialization in this research has enabled a large-scale assessment of financialization for a given geography. Based on August (2020a) and Romainville's (2017) definitions of what makes an actor financialized, and the publications by Ferrer et al (2020) and Graziani et al (2020), this research contributes to the efforts of empirically defining financialization in housing, a term that is often criticized for being too vague. By looking at whether the company owning the rental stock was publicly traded, and whether it was directly or indirectly participating in financial markets, the classification managed to draw a portrait of the financialization of multi-family rental housing in Montreal. It is one of the only studies that has had access to such a complete dataset of a city's housing stock and ownership information, and thereby helps bring to light the importance of having access to information for both more informed decision making and better tenant outcomes and capacities. It is currently extremely difficult for a tenant to know who their landlord is since the information is oftentimes difficult to access and true ownership names are frequently hidden behind numbered companies (Kerrigan 2021; Graziani et al 2020; Ferrer et al 2020). For Montreal, newly constructed buildings sometimes had a different listed address in the Property Assessment Database (PAD) compared to the "real" address (the one tenants would list as their address), making it impossible to search for their landlord information. If the landlord information is accessed, the tenant is confronted with additional, and potentially confusing, research to find the name(s) behind the numbered company(ies). If the company listed is from outside Quebec, then the information is even more difficult to find, since many provinces (and countries) do not make it as straightforward as the *Registre des Entreprises du Québec* (REQ). In any case, if the landlord is a family trust (*fiducie familiale*), then no information is available, beside the address associated with the said trust. In all cases, tenants residing at different addresses owned by the same landlord have very limited organizing capacities because no aggregated landlord information database is available to the public. Tenants are left with very little political power if there are no ways to organize and "expand their political constituency" (Kerrigan 2021, p. 29). This research highlighted the need to have more transparent and straightforward access to corporate ownership, but also corporate networks, since numerous landlords will operate under different names and partner with different financial partners.

Dealing with large sets of data comes with its own set of limitations. First, the scraped results of the PAD do not encompass 100% of the Montreal addresses, but rather an estimated 90% to 95%. The classification of financialized landlords, mainly due to feasibility and time constraints, was conducted automatically for the most part, with a manual categorization of only the largest landlords in the city (the 500 largest landlords). This categorization could lead to understatement of financialization levels of smaller landlords, although the sample verification and investigative efforts of this research have led to conclusions that landlords considered as financialized (through being publicly listed, engaging financial activities or partnership with financial actors) were in general owners of larger stocks. This could be due to limited information and advertising being displayed on company and personal websites, or to the utilization of less obvious financialized tools (private loans that are undisclosed in ownership or company/personal information as opposed to a partnering with a private equity firm). While it is almost impossible to truly grasp the level of embeddedness of finance in our housing sectors due to limited access to information, this research managed to provide a large assessment of it within Montreal's rental stock. More research regarding smaller-scale landlords, including through interviews and exhaustive analysis of primary sources, could help build a narrative around the financialized practices of smaller landlords.

Additionally, further research regarding tenant's experiences with financialized landlords would help build the housing financialization narrative in Montreal, since studies of this sort are currently lacking. Shedding light on tenants' lived experiences amidst acquisitions by financialized landlords, for example, could help craft the story of the changes that have been occurring in the city's private rental market. Even though Quebec is often defined by its strong rent control laws, experiences on the ground have been telling a different story. As seen in the "Montreal in context" section, low vacancy rates, renovictions and new purpose-built rentals have all been putting pressure on tenants, thereby increasing rents and impacting tenant outcomes. This research has also identified correlates between levels of rental housing financialization and demographics and housing indicators. The city does benefit from a strong housing committee network that works to bring about housing justice to tenants through education, data compiling and publishing and active media presence. One of the next steps for studying housing financialization in Montreal could be to look at the role of these committees in interacting with and organizing against wrongful doings of financialized landlords.

Conclusion

To conclude, findings from this research can help researchers and activists better understand the impact of financialization in a given rental market. Through quantitative analyses and an overview of the dynamics of Montreal's rental market in the past decade, we can see that the financialization of the city's rental housing is well underway. The levels of rental housing financialization in the territory is associated with differing housing outcomes, making financialization another phenomenon to be aware of when thinking about housing justice. In Montreal, vacancy rates have remained at unhealthy levels for years; renters' wealth is drastically lower than homeowners' wealth; and rent control monitoring is difficult to achieve because of the lack of a registry that would permit a true follow-up on rent levels, even after the change in tenants. Financialization inserts itself in this environment by putting more pressure on rental markets: numerous players have been acquiring rental units *en massse*, with a growing proportion of those being tied to financial logics, expecting housing to act as an investment with a certain rate of return. Many studies have already highlighted poor tenant outcomes as it relates to housing financialization (August 2020; Crosby 2020; Fields and Uffer 2016; Fields 2015). This supervised research project aimed at shedding light on the city of Montreal and its own experiences via quantitative methods. Montreal's data accessibility is better than most cities, permitting the application of large-scale quantitative analyses using not only census data, but property and company registry data. The lack of aggregated ownership information acts as a roadblock to many housing studies, but more importantly contributes to the uneven power relationships between landlord and tenants. There is still a long way to go before the structures surrounding housing become fairer for all.

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