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## Academic papers

# International property market- driven regeneration: A challenge to sustainable urban development?

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**Abstract** In Europe, urban regeneration still represents the principal mode in which urban transformation and development happen. The sustainable urban development (SUD) paradigm is based on the holistic concept of sustainability, stemming from the three pillars of environmental, social and economic sustainability. The complexity and multitude of factors affecting contemporary cities, however, challenges the adequacy of this paradigm with respect to the raising issues of identity and place ownership in a globalised world. Where significant international capitals flows become drivers for urban regeneration, it can be difficult to assess whether or not urban regeneration is really yet sustainable. Some key areas of European cities might be influenced by international property developers and management companies, with a potential impact on the decision-making process at local and even national level. Could selling the most valuable estate investments to foreign investors influence the sense of ownership of local communities? Could it undermine urban democracy? After having explored the above-mentioned issues through the literature, the paper proceeds towards its discussion through a concrete example. In particular, insights are drawn from the case study of Salford, a growing city in the heart of the 'Northern Powerhouse' UK city region. The paper finally suggests that: 1) the socio-economic impact of urban regeneration cannot be restricted to the mere capacity of the mechanism to rebalance inequalities, but it has to keep in account the wider investment process behind the financial input in itself; 2) a comprehensive assessment framework for sustainable urban regeneration should take into account the interconnections between local economic and international financial flows, estimating how the investment structure influences the long-term socio-economic sustainability of the investment; and 3) a variety of instruments and tools, supporting the non-profit and public actors' participation, might help to rebalance an excess in speculative promotion.

**Keywords:** *sustainable urban regeneration, local economics, property market, Salford*

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### SUSTAINABLE URBAN DEVELOPMENT AND INTERNATIONAL MARKET- DRIVEN REGENERATION

In Europe, urban regeneration still represents the principal mode in which

urban transformation and development occurs, spanning from small and medium to large and mega interventions. It therefore represents a major concern for the European Commission, due to the

crucial role played by European cities both in supporting the socio-economic development and in coping with growing environmental issues. Since the 1990s, coupled by the ongoing experience of implementing the community initiative programmes URBAN I<sup>1</sup> and URBAN II,<sup>2</sup> the theoretical elaboration of the emerging paradigm of sustainable urban development (SUD) has been put forward through incremental steps,<sup>3</sup> such as the 1997 Communication ‘Towards an Urban Agenda in the European Union’,<sup>4</sup> the 1998 Communication ‘Urban Sustainable Development in the EU: A Framework for Action’,<sup>5</sup> the 2005 ‘Bristol Accord’,<sup>6</sup> culminating in the 2007 ‘Leipzig Charter on Sustainable European Cities’.<sup>7</sup>

According to this latter, Member States recognised that ‘We increasingly need holistic strategies and coordinated action by all persons and institutions involved in the urban development process’ and recommended:

‘A) Making greater use of integrated urban development policy approaches, through the following actions: (1) Creating and ensuring high-quality public spaces; (2) Modernizing infrastructure networks and improving energy efficiency; (3) Proactive innovation and educational policies. B) That special attention is paid to deprived neighbourhoods within the context of the city as a whole, through the following actions: (1) Pursuing strategies for upgrading the physical environment; (2) Strengthening the local economy and local labour market policy; (3) Proactive education and training policies for children and young people; (4) Promotion of efficient and affordable urban transport.’

Almost one decade later, within the current European Urban Agenda, it is confirmed that SUD does require an integrated approach, because ‘The various dimensions of urban life — environmental, economic, social and cultural — are interwoven and success

in urban development can only be achieved through an integrated approach’.<sup>8</sup> Also in the current body of literature, consensus exists on the fact that SUD paradigm is based on the holistic concept of sustainability, stemming from the three pillars of environmental, social and economic sustainability.<sup>9,10</sup> It has been noticed, however, that the concept of sustainability associated with urban development is still difficult to be related and applied to the social sustainability component.<sup>3</sup>

Furthermore, it is nowadays accepted that cities compete in the global arena to acquire a certain ranking in a consistent tier of cities.<sup>11</sup> In so doing, the attraction of foreign capitals in the redevelopment of large urban areas plays a substantial goal. It has been noticed that housing markets are increasingly becoming more and more market driven.<sup>12</sup> The complexity and multitude of factors affecting contemporary cities challenges the adequacy of the SUD paradigm with respect to the raising issues of identity and place ownership in a globalised world.

City competitiveness, mega projects and international capitals are deeply interconnected. Where significant international capital flows become major drivers for large-scale urban regeneration, it can be difficult to assess whether or not urban regeneration, although smart,<sup>13</sup> is really yet sustainable. When this process happens, in a long-term perspective, entire key areas in European cities could end up being financially managed by international players of the property market. The problem is: does this influence the decision-making process at local and even broader scale? Could selling the most valuable estate investments to foreign investors influence the sense of ownership of local communities? Could it undermine urban democracy?

To discuss these issues, the paper draws insights from the case study of Salford

(Figure 1). This case has been purposely selected because, although incorporated in a relevant metropolitan area, it is still a second-tier urban centre and not a real and proper global city. Therefore, the property market dynamic does not reflect the uniqueness of global cities such as — in the UK — London. Salford is located in the current Northern Powerhouse area, a fast-growing region in the north-west of England. It is included in the Great Manchester area in continuity with the city of Manchester. In recent years a massive regeneration scheme, including the area of Salford Quays, has taken place, determining substantial shifts in land ownership and management.

The following section discusses the current issues faced in Salford, in order to provide readers, in the third section, with some preliminary findings and conclusion, potentially applicable to the wider international context.

#### **INTERNATIONAL MARKETS DYNAMICS AND LARGE-SCALE REGENERATION: INSIGHTS FROM SALFORD**

The city of Salford is located on the north-western boundary of the city of Manchester, on the river Irwell. It covers 37sqm and hosts about 220,000 people. Salford is part of the Greater Manchester metropolitan area in north-west England.<sup>13</sup> The system of cities located in the northern part of England is currently seeking to promote a new common strategy for growth, namely the ‘Northern Powerhouse’, to gain political recognition as urban agglomeration capable to cope with the challenges of the global economy. Core cities are Manchester, Liverpool, Leeds, Sheffield and Newcastle.<sup>14</sup> Within this economic and political context, the real estate market in the Manchester area is growing,<sup>15</sup> boosted both by a positive economic situation and by the demand

of a student population generated by the presence of three internationally top-ranked universities.<sup>16</sup> Nowadays, the Greater Manchester area is ‘the largest functional economic area outside London, with a population of 2.7 million and gross value added (GVA) of £56 billion’. Biotechnology, energy and services (financial and professional) are the major sectors. Forecasts for the private sector are positive.<sup>17</sup>

In this geography, the city of Salford plays an interesting role, being involved in major redevelopment initiatives deeply intertwined with the economic success of the metropolitan area, such as the relocation of the BBC and ITV headquarters to the Salford Quays area, which followed the regeneration of the former Manchester docks started to be planned in the 1980s.<sup>18</sup>

The history of the city of Salford and related current issues of urban regeneration are typical of industrial and post-industrial cities in Western countries. At the time of the industrial revolution, the Manchester area was a leading place for manufacture, particularly for its cotton and silk factories. In particular, Manchester docks, located in Salford, allowed an effective international transport system, connected to the city through a network of canals and rails. Due to the high demand of workforce, Salford was a very attractive place and even became an area of overpopulation.

The 1970s’ process of containerisation and increase in size of ships had a deep impact, as in almost all similar port industrial cities, on the workforce demand patterns, leading Salford to economic decline.<sup>19</sup> The downward spiral affected the whole urban system, inducing business and services to close and affecting local public revenues, finally hindering the quality of public services.

The turnaround started with the already mentioned flagship intervention



Source: <http://www.visitsalford.info>

in the Salford Quays area, following the Salford City Council acquisition of the area in 1983, spanning over 150ha of land and 75ha of water area. The so-branded 'Salford Quays' intervention was aimed at placing 'equal emphasis upon work, leisure and residential land uses, as well as to provide infrastructure such as roads and key services'.<sup>10:92</sup> Although some authors raised criticisms in terms of gentrification,<sup>10</sup> it remains undisputed that this intervention acted as triggers for local economics and also for urban rebranding, as due to the presence of two major companies in the media sector, the above-mentioned BBC and ITV, the area is now known also as 'MediaCityUK'.

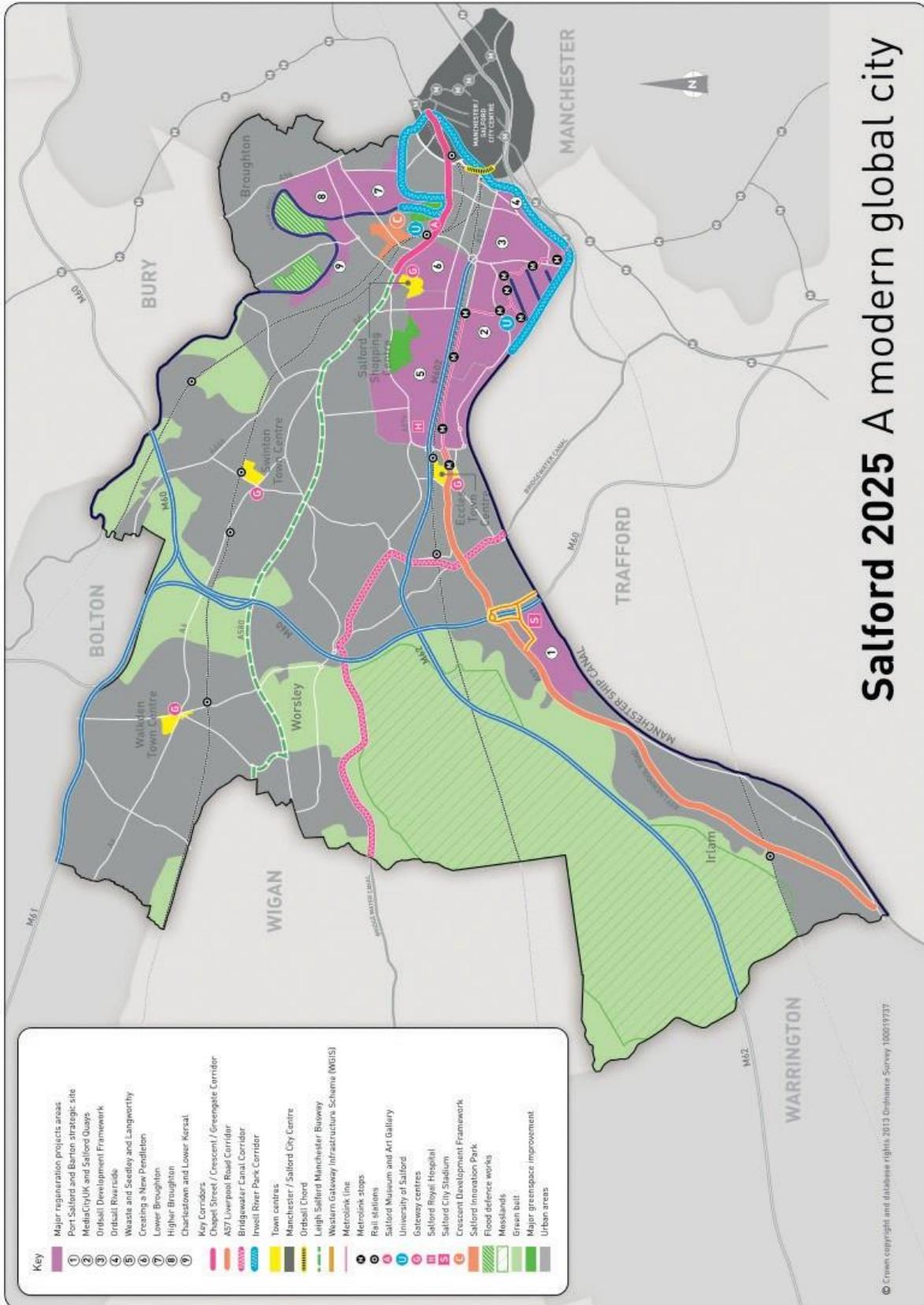
Since then, urban regeneration has gained high priority in the political agenda of the city of Salford. The Salford 2025 strategy<sup>20</sup> highlights how in the last ten years Salford had pursued a political agenda having very ambitious objectives on urban transformation and regeneration, including, in addition to MediaCityUK, projects such as Port Salford and

Greengate. The combination of these three projects should bring a potential for 36,000 new jobs over the next three years.<sup>20:3</sup> Recent

'key achievements include: (1) The £550 million MediaCityUK development at Salford Quays; (2) The start of works to build Port Salford which will potentially create over 1,000 jobs in the first phase with a longer term target of around 3,100 jobs; (3) The £26 million Salford City Stadium and future associated development; (4) The completion of Greengate Square which is set to be the catalyst for £400 million in private sector investment; (5) New innovative projects like the Soapworks and The Landing; (6) The revitalisation of key areas along Chapel Street and the riverside corridors of the Bridgewater Canal and the River Irwell; (7) The £650 million scheme to transform Pendleton is underway. It will see 1,500 new homes built, 1,300 homes modernised and 500 new jobs.'<sup>22</sup>

The vision for 'a modern global city' that emerges from the overall map of the major regeneration projects area (Figure 2<sup>21:82-83</sup>) shows how the key areas are located closest to the Manchester city centres, thus, they are areas with a higher market potential in terms of centrality. Centrally located regeneration interventions include: Greengate, Middlewood, Chapel Street regeneration schemes, all situated between the river Irwell and the Manchester border, as shown in Figure 3.

The role played by international investors in these regeneration schemes is significant. International developers are either directly involved in the development phase, or are taking local and national developers over, following the building phase. This ongoing process is still difficult to be quantified, but it can be easily followed through local newspapers and real agents' websites.<sup>23</sup> It exceeds the resources of this research to go in depth with a detailed map of



# Salford 2025 A modern global city

Figure 2: Major regeneration projects areas.

Source: City of Salford

the current properties, and to exactly quantify the ongoing changes, also due to the fast pace of the process. It is worth mentioning, however, that in all three above-mentioned major regeneration areas (Greengate, Middlewood and Chapel Street) international finance is a significant trigger of urban transformation.

In the Irwell ward, an inner area where significant urban transformation happened, in the decade 2001–2011 a shift from traditional terraced houses to flats (particularly commercial buildings) happened, showing higher percentage

than the regional and national benchmark (Table 1). At the same time, the household space with no residents is higher than the regional and national benchmark (Table 2). Although it is out of the goals of this paper to find out possible answers or even attempt interpretations at this stage, it is worth suggesting some questions that might find room for development in further research. Will Salford end up being influenced by international property developers and management companies, with a potential impact on the decision-making process at local and even national level, at unsustainable rate?

**Table 1:** Irwell Riverside ward: Dwellings and accommodation type change 2001–2011.

Table KS401EW: Dwellings and Accommodation Type Change 2001 - 2011: Irwell Riverside								
Accommodation Type		Irwell Riverside Ward				Salford	Greater Manchester	England
		2001 Number	2011 Number	Change 2001-2011 Number %				
All Household Spaces		5,254	5,494	240	4,6	10,4	7,4	8,4
Whole house or bungalow	Detached	98	121	23	23,5	9,6	8,5	7,1
	Semi-detached	1,123	1,177	54	4,8	2,5	4,0	5,4
	Terraced (including end-terrace)	2,400	1,823	-577	-24,0	-4,2	-0,5	2,7
Flat, maisonette or apartment	Purpose-built block of flats or tenement	1,522	2,228	706	46,4	52,1	39,2	29,9
	Part of a converted or shared house (including bed-sits)	26	71	45	173,1	3,8	-5,8	1,7
	In a commercial building	41	46	5	12,2	10,0	3,6	5,3
Other	Caravan or other mobile or temporary structure	44	28	-16	-36,4	-23,7	-29,0	12,7

Source: Census data

**Table 2:** Irwell Riverside ward: Dwellings and household spaces in 2011.

KS401EW: Dwellings and Household Spaces in 2011: Irwell Riverside (Table is not compatible with 2001)						
Dwellings and Household Spaces		Irwell Riverside Ward		Salford	Greater Manchester	England
		Number	% of Total			
All Dwellings		5,478	100,0	100,0	100,0	100,0
Dwellings	Unshared	5,470	99,9	99,9	99,9	99,9
	Shared: Two household spaces	3	0,1	0,0	0,0	0,0
	Shared: Three or more household spaces	5	0,1	0,1	0,0	0,1
All Household Spaces		5,494	100,0	100,0	100,0	100,0
Household Spaces	with at least one usual resident	5,245	95,5	95,0	96,2	95,7
	with no usual residents	249	4,5	5,0	3,8	4,3

Source: Census 2011, Office for National Statistics

Source: Census data

Where significant international capitals flows become the drivers for urban regeneration, it can be difficult to assess to what extent urban regeneration is really yet sustainable. More generally, could selling the most valuable estate investments to foreign investors influence the sense of ownership of local communities? Could it undermine urban democracy?

### **POSSIBLE ALTERNATIVE PATHS TOWARDS SUSTAINABLE LARGE ESTATE PROJECTS IN URBAN REGENERATION**

Urban competitiveness and its relationship with the local economics has been thoroughly analysed in the literature,<sup>24,25</sup> highlighting how urban competitiveness is a combination of phenomena including the emergence of competitive bidding in the allocation of public funds, urban entrepreneurialism and leadership. Jones and Evans<sup>26,68</sup> observed that following the deindustrialisation, regeneration policies have tended

‘to generate employment, preferably in the form of middle- to high-income jobs in the service sector. While relatively footloose in terms of material demands, service industries tend to cluster in areas that provide attractive living and business environments. Cities seeking to stimulate economic growth have competed with one another to attract such industries, with the result that they must “sell” themselves as desirable locations within the new economy.’

The new geography of cities, as a result of the new economy, has been deeply explored also in urban geography studies.<sup>27</sup> What is still missing in all these studies, however, is the analysis of the relationship between different kinds of investments and long-term socio-economic stability.

If it is widely accepted that a shrinkage in public finance is inducing local

authorities to act as private competitors in the global market arena, less attention is paid to the implication of inflating different kinds of capital in the traditional urban economic structure, what it implies in terms of dependency of the decision-making process on a system of interests that is no longer an expression of the local social capital (local democracy), and how it affects the drainage of locally and nationally produced income towards international markets in the form of rents paid to international financial corporations (local economy). Some authors have discussed the relationship between ownership, participation and democracy, concluding that the ownership structure contributes to explaining the way in which people feel and act as part of the larger local community;<sup>26</sup> others have examined how ownership influences concepts as lifestyle, identity, social capital and trust.<sup>27</sup>

Beyond the socio-cultural matter of ownership and sense of belonging, the socio-economic matter of the relationship between the property market and international capital has an impact as well. The financial structure of the capital investment is not an independent factor. As in the financial market it is very clear that bonds and bank shares perform differently, it should be also clear that a socio-economic risk is embedded in accepting that a neighbourhood is treated as part of a share portfolio by international speculative investors.

As Jones and Evans<sup>26,94</sup> also observe, although lacking a real and proper quantitative evaluation for this and although social critiques of the uneven distribution of benefits have arisen in some cases, consensus exists on urban regeneration as tool to reverse economic decline of neighbourhoods and cities, sometime capable of achieving social sustainability as well.<sup>29</sup> From a civic economic perspective,<sup>30</sup> however, economic values are not only related to



the quantitative increase of the flow on money. Civic economic dates back to the Illuminist Italian economic tradition,<sup>31</sup> in which equity and ethic were considered necessary factors for the collective wellness and therefore equally important as the quantitative production of wealth. Considering the collective wealth as a result of multiplying the individual benefits (civic economic approach) instead of a result of adding the individual benefits (classic economics) implies that if the wealth of just one single individual is zero, the whole collective good is null. Within this rationale, successful urban regeneration schemes would perform very differently by only taking into consideration volatility of the economic performance and long-term stability of the social capital.

The investment mechanism and process, and not only the investment as an input in itself, gains attention, because the rationale of the investments deeply influences who are the winners and who are the losers. A possible conceptualisation of this model could build on the speculative vs not-speculative model suggested for the Finnish housing market by Bengs and Ronka.<sup>31</sup> In this model,

‘(1) non-speculative promotion indicates promotion on a non-profit base, or that the profits are “reasonable”, [in which either] the future owner acts as developer [or are in the case of] social housing, carried out either by public agencies or development associations’,<sup>32:128</sup> [while] (2) speculative promotion means that the developer is acting on a maximum profit basis, [and is] organized in such a way that the developer and builder are different agents, the developer’s choice of builder being based on tender or agreement, [or] the builder can also operate as developer.’<sup>32:127</sup>

Within this framework, an excess of speculative promotion can even hinder competition. Recommendations from the authors include: a variety of alternatives

to speculative development should be created, including non-profit; municipal purchase of building land should be encouraged. Overall, the rationale is that it is not by fostering market competition, as is currently meant in a simplistic manner, that a higher socio-environmental quality is achievable; rather it is by triggering the participation of a variety of multiple actors into the property market that an excess in speculative promotion can be counterbalanced. The system of values behind the property market is much more complex than other goods, such as health and education, and cannot be assimilated into any other products.

By applying this suggestion in order to reassess the level of success of the current urban regeneration schemes in Salford, it can be then noticed that in some circumstances, such as in the Greengate scheme, as well as in the Chapel Street regeneration scheme, a variety of tools and instruments allowed the participation of a variety of stakeholders, such as: 1) the city retained the property of some key public spaces within the market housing in Greengate, thereby avoiding the gated community effect of some wealthy enclaves, with no access for all; 2) the presence of English Cities Fund in Chapel Street played a significant role as it allowed use of the income from part of the most valuable centrally located properties to rebalance the presence of public spaces in less central areas.

In conclusion, the discussion of the case study has allowed to substantiate with concrete observations three major findings:

- 1) The socio-economic impact of urban regeneration cannot be restricted to the mere capacity of the mechanism to rebalance inequalities, but it has to keep in account the wider investment process behind the financial input in itself.

- 2) A comprehensive assessment framework for sustainable urban regeneration should take into account the interconnections between local economic and international financial flows, estimating how the investment structure influences the long-term socio-economic sustainability of the process.
- 3) A variety of instruments and tools, supporting the non-profit and public actors' participation, might help to rebalance an excess in speculative promotion.

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