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Commodifying Tangier

THE MAKING OF A SUBMARKET FOR EUROPEAN HOMEBUYERS

Housing is an increasingly global affair. Once organized around the operations of local builders and buyers, events like the Great Recession of 2008 highlight the vast and interconnected nature of property markets that structure participation in home ownership today. The majority of what we know about international property markets largely comes from research focused on well-known cities like Berlin, London, San Francisco, Bangkok and Seoul, which have become long-term investment havens for private and commercial actors alike. Yet, beyond these destinations there is a growing recognition that housing has become a crucial asset with which to safeguard against financial vulnerability, even in places once considered peripheral to such transnational economic forces. Now, if played right, many see home buying as a pathway to significant financial gain.

An overlooked aspect of discussions about the assetisation and globalization (Wijburg 2023) of residential real estate is the question of borders (Kutz 2017). The common view is that buyers and sellers live and work more or less in the same general area as the properties they exchange on the market. Therefore, housing prices are presumed to reflect the purchasing power and willingness of the economic actors in the respective location. Yet, as housing markets open up to new forms of profit-making, speculation and exchange across a wider pool of potential investors, buyers and sellers are put into increasing competition with market forces beyond the locality itself. External buyers with higher purchasing power can push property prices beyond the affordability of local inhabitants, especially in zones with pre-existing demand pressures. This means that buyers must increasingly formulate calculations and judgements about where and how to live according to a larger web of investment criteria. How these circumstances are socially and spatially bordered has a critical role in shaping an individual's access to or exclusion from housing opportunities.

The case of northern Morocco is illustrative of such bordering dynamics. In the mid-2000s, the region especially around the city of Tangier became acutely impacted by foreign real estate speculation as an outcome of the growth and collapse of the Spanish property bubble. The Moroccan Ministry of Housing and Urban Policy reported a substantial increase in foreign direct investment in northern real estate between 2002 to 2008, growing from just 1.82 billion ($179 million) to 9.15 billion ($1.13 billion) Moroccan dirhams (MHU 2013). Local authorities and the media frequently reported that European property speculation was driving the investment surge, with one journalist predicting that "Morocco [would] not be spared from the real estate crisis affecting more economically powerful nations" (Harakat 2008:6).

As I will show, a major reason this coastal area along the Strait of Gibraltar became such an important arena for European investors in the leadup to the Great Recession was due to governmental authorities actively reforming national housing policies to explicitly attract foreign capital to the housing sector while European markets confronted a growing affordability crisis. The most important of the reforms targeted the liberalization of the low-income housing sector which until that time had been unable to attract sufficient interest from the local populace. In response, policymakers sought to take what was an over-abundant stock of unsold, low-cost housing and rebrand it as an under-exploited opportunity for buyers priced-out from the European property market.

Although a significant body of scholarship written about housing during and after the Great Recession points to the role of financial intermediaries and innovations in restructuring the historic barriers between different financial and territorial markets – largely focused on the socio-technical concentration of lending activities among small number of financial groups while also expanding the geographical reach of mortgage market activities themselves (Aalbers 2012; Wyly et al. 2007) – the comparatively underdeveloped banking and financial sector in Morocco did not follow this "northern" trend, leading to important differences in how one ought to consider the story of cross-border investment.

A legacy of post-colonial economic history, Moroccan governmental authorities intentionally chose to avoid closely integrating into the financial networks that have come to dominate markets and society in Europe and North America in recent decades. Therefore, when policymakers began to reposition the Moroccan real estate sector in competition with those in Europe, the main, immediate task focused less on expanding the market's links to institutional financial investors than on the development of social, political and regulatory infrastructures to encourage foreign investment to take actually place (c.f. Gotham 2006; Newman 2009) – what Neil Smith (1987) called the "demand structures" by which capital from one location shifts to another. In northern Morocco, this was based

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on cultivating an awareness and desire among European buyers to invest in Moroccan real estate. This interest was explicitly crafted through the interplay of two particular forms of bordering: (i) *geographical bordering*, in the sense that the social, cultural and environmental qualities of northern Morocco were largely indistinguishable from other high-demand destinations on Europe's Mediterranean coast; and (ii) *economic bordering*, in that, while the amenities and quality of life were comparable – if not better – than those found in Europe, the financial cost of acquiring property in northern Morocco was significantly more affordable. Combined, these overlapping modes of cultural and economic bordering were designed to transform northern Morocco into a sub-market for European investors at the onset of the Great Recession.

The repositioning of northern Morocco's housing market was a strategy driven by the Moroccan government in collaboration with industry leaders, particularly the National Federation of Real Estate Developers (Federation National des Promoteurs Immobiliers – FNPI), who together coordinated a number of international real estate fairs in several major European cities. The first of these events took place in 2004, and was initially only hosted in Paris (Salon Immobilier Marocain à Paris – SMAP immo), due to both the prestige commanded by the French capital, but also its ideal location to reach the large community of Meghrebi expatriates and their decedents living between Paris and Brussels (Najati 1998). Expatriates have been a major source of revenue for the Moroccan economy, and in the 2000s, their remittances constituted roughly 10% of Moroccan GDP, which made them the second-largest contributor to the national balance of payments (Abdelkader et al. 2008). Furthermore, a major portion of these remittances targeted the real estate sector, which in 2003, represented 95% of regional bank lending to expatriates (Sefrioui 2005).

The effectiveness of the Moroccan real estate conventions was evident the organisers' ability to attract a substantial number of visitors, growing to up to 40,000 attendees at its height in the mid-2000s (A.C. 2008). The popularity of the events quickly led to their expansion into other major European destinations, including Milan, Barcelona, Amsterdam, Brussels, and Marseille – all of which whose resident populations have historically strong links to Morocco. As the allure of foreign investment to Morocco grew, local authorities even began to branch the events out to cities like Berlin, Abu Dhabi, and Dubai, which historically have had less significant ties to the country (Ghayet 2005).

Photograph: William Kutz.

Foreign and expatriate buyers evidence important differences in how and where they invest, however. Historically, Moroccan expatriates tended to invest in the regions in which their extended families were based (Sefrioui 2005). By contrast, non-Moroccan buyers from Europe tended to focus their investment decisions on more economic considerations rather than local cultural or social factors. For example, the "Europeanization" of Morocco's housing market was characterized by the strong participation of Spanish and French investors — typically middle-aged, middle-class individuals seeking second homes for retirement (Filali 2007; Perreau 2007). For such investors, Morocco's appeal lay in its affordability, proximity to Europe, and the allure of living in an exotic country with an exceptional coastline and rich urban culture (Harakat 2008).

Photo of advertisement, William Kutz.

Such divergences in the investment behaviours between Moroccan and non-Moroccan buyers also reflected deeper problems in the strategy underlying Morocco's new housing policies at the onset of the Great Recession. For instance, news reports and well-placed advertisements, which were pivotal to showcasing investment opportunities to European buyers, often encouraged property speculation by portraying Morocco as an "El Dorado" where real estate could be acquired and flipped for a fraction of cost needed in Europe. As one leisure-oriented weekly periodical from Marseille stated:

> Soaring housing prices in France? For the price of an apartment, you could have a villa with a pool, service staff, and the furniture included – down to the teaspoons – under the sun and near the sea in a country celebrated for its good life and hospitality: Morocco. [. . .] Developers offer unparalleled prices at half those found in Europe. (Pierrat 2007)

Many estate agents and developers for their part played a role in aggravating these speculative practices. In one video advertisement from the 2010s, a UK-based group called Compass Properties, sought to attract the interest of British nationals who historically purchased properties on Spain's southern coast. Their sales pitch focused in the notion that northern Morocco and southern Spain offered essentially the same lifestyle, but with very different financial rewards. As their promotional video stated:

> [Narrator]: Thinking of buying an overseas property? Think Morocco. Now one of the top three destinations in the world for buying property, the country's entering a boom phase with purchases moving in from all over the world to snap up bargains. The north coast of Morocco, the "Costa Vista", is only nine miles from Spain and easily accessible from the UK. [. . .] Nestled between the crystal blue sea and backdrop of mountains, the Costa Vista is a lush green coast with incredible beaches and idyllic scenery. Easily accessible via Malaga, Gibraltar, or Tangier, the "Costa Vista" beckons holiday visitors from Spain, France, and the UK particularly during the summer months. The rental market here is booming due to a shortage of property. Demand for accommodation is very high during the peak season. This has created a win-win situation for UK purchases. Super high summer rental yields, with plenty of time for personal use, property values on the "Costa

Photograph: William Kutz.

> Vista" are rising steadily. Early bird investors, Ben Collucci and Tony James certainly agree: [Collucci]: When I bought [the property] I anticipated that we were going to get a growth of about 30% return on our investment. And in anyone's book that's obviously fantastic. You don't see those sorts of growth in England on properties in 18 months. What I have to say is that I'm amazed that it's achieved close to 50% in an 18-month period, thus well exceeding my expectations and it's been fantastic. (PLM Direct 2010)

Although cross-border speculation increasingly inflated Moroccan housing prices, the market overall continued to remain more affordable than those in Europe (Delahaye 2008). By contrast, in many Spanish regions, housing prices more than doubled during the same period. As a result, the onset of the Great Recession did not so much deter speculative behaviour, but rather encouraged its geographical displacement to Morocco by allowing buyers from Europe the opportunity to channel their upwardly mobile aspirations and capital elsewhere. This was precisely what motivated "Alice" to purchase property in Tangier during this time period. Living abroad, she had no prior interest buying real estate in Morocco, but she had friends who had recently purchased two apartments along the Bay of Tangier and could see the area was suited for investment:

> At that time, the building was sold out. Two years later my husband had a contract with a big company [redacted] overseas. The pay was good. There was financial collapse all around, especially in real estate in Spain. By contrast, Morocco continued to make its own way. It had its own development funds and [other] countries were also investing, or so I understood. Where to put the spare cash? (Interview, Alice, 13 April 2012)

The impact these and other forms of "playing the market" across borders unfolded in different ways in Morocco. The first and perhaps most immediate impact was the inflation of domestic construction and purchasing costs. No longer needing to rely exclusively

Photograph: William Kutz.

on the purchasing power of Moroccan residents in the country, local sellers could drive up the final sales price to totally unrealistic levels — often based purely off the seller's wishful thinking about a buyer's financial situation. Property developers, striving to maximize the pace of turnover in a hot market, expedited the construction of housing projects even at times when the groundwork for basic utility hook-ups had not yet been completed – with all the predictable consequences for the unwitting buyer (Filali 2008).

Secondly, foreign investment intensified the existing shortage of safe, healthy and affordable property in a country already affected by an over-abundance of unregulated housing. As housing prices began to surge, both developers and homeowners became increasingly inclined to speculatively retain their properties in anticipation that even higher returns could be gained in the near future, which reduced the number of available units on offer (CIH 2009).

Finally, as a consequence of the first and second impacts noted above, the inability for an increasing number of Moroccan inhabitants to access affordable housing opportunities unintentionally contributed to the expansion of new rounds of informal housing construction for lack of housing options elsewhere on or off the market. Thus, despite public authorities long-standing efforts to boost the supply of low-cost housing, clandestine construction actually began to grow at a rapid pace in northern Morocco at the onset of the Great Recession (Filali 2012).

To conclude, European investment in the Moroccan real estate sector in the lead-up to the Great Recession is a story about the increasing importance of housing being used as the basis for a household's long-term financial security and well-being. As an asset for investment, the buying and selling of residential property is tied up in a web of international markets whose actors hold very different forms and degrees of financial power to acquire property vis-a-vis those who are place-bound to their local circumstances. We can better understand how the relationships between this assetization and globalisation of residential real estate play out by looking at the ways that investment criteria and decision-making are socially and territorially bordered. While Morocco clearly has very different contextual circumstances that inform how this story evolved at the onset of the Great Recession, it does not mean that this story is by any means exceptional.

Photograph: William Kutz.

Even in Sweden, the turn towards asset-based welfare reforms have actively encouraged property investment as a strategic avenue for both municipalities and households to foster long-term financial stability in light of diminishing safeguards that were once considered foundational to social democracy (Holmqvist & Magnusson Turner 2014). These changes have facilitated an influx of investors from cities like Stockholm and Gothenburg buying up properties in small rural and coastal communities that have driven up housing prices beyond the affordability of local buyers and have placed new demands on planners to navigate the contrasting needs of tax-paying residents and transient, non-taxed populations. Compounding the problem are place marketing efforts that seek to entice investors from outside Sweden – notably from Norway, Denmark and Germany – and thereby placing residents into growing competition with buyers with stronger financial leverage than is typically available locally. In this regard, Morocco is not just another case study, but offers valuable lessons for the Öresund and wider Sweden today.

Photograph: William Kutz.

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ILLUSTRATIONS

The photograph on page 33 is by William Kutz.