
B6 BAU
116th year's issues
The Architecture Magazine
June — 19
MEISTER:
CURATED
BY
REINIER
DE GRAAF
4 194673 016003 06
D 16 €
A,L 18 €
I 19,90 €
CH 24 SFR

Editorial

If you studied cultural studies, like I did, you will have come across the publications from within the OMA cosmos. And thus this issue, guest curated by OMA partner Reinier de Graaf, completes a kind of intellectual circle for me. This circle also includes the concept of the rhizome, which can be seen as a structuring principle through the issue. This complex understanding of society (and architecture) served Gilles Deleuze as a fundamental way of thinking. It also helps De Graaf to explain the manifold factors influencing architecture today. Assisted by Alexander Russ (Baumeister) and Alexandru Retegan (OMA), he questions key but often unchallenged assumptions and formulates unpleasant truths. He takes us to places supposedly far removed from the architectural world, such as Albania and Angola, and shows us the contradictions that often exist within architecture. To this end: We present you with an exciting new experiment from our "curated" series – which you can now also find at curated.baumeister.de/en online.

Alexander Gutzmer
Editor-in-chief

COVERPHOTO: AMOS CHAPPLE

For Whom We Build:

Sections

Translations and Editing: David Skogley, Tim Hanes

For

Make
Architecture
Great Again –
The Architect
as Developer
p 66

Mo

Life at the Top –
The Development
of 111 West 57
p 44

Impressions
of Angola
p 58

Phantom
Urbanism –
The Ghost
Towns
of Angola
p 52

Creation,
Calculation,
Speculation –
A Short History
of Real Estate
Development
p 34

ney

Mies van der Rohe's Seagram Building (completed in 1958) introduced a new skyscraper typology in New York: a tower faced by a public plaza. This example was incorporated in the 1961 New York City Zoning Resolution (NYPAP), which allowed developers to build extra floors in exchange for open public spaces.

PHOTO: THE PUBLISHER HAS MADE EVERY EFFORT TO FIND AND INFORM THE AUTHOR OF THIS IMAGE. THIS HAS NOT BEEN POSSIBLE. HOWEVER, AND WE WOULD BE GRATEFUL FOR ANY INFORMATION YOU MIGHT BE ABLE TO GIVE US IN THIS REGARD.

Creation, Calculation, Speculation – A Short History of Real Estate Development

Patrice Derrington

Life at the Top – The Development of 111 West 57
p 44

Make Architecture Great Again – The Architect as Developer
p 66

One Among Many – Amsterdam in the 21st Century
p 76

No Choice Over Our Heads – Self-building in Almere
p 126

The Land Belongs to the People – The Battle for Munich
p 94

With the public sector having gradually stepped back, the real estate developer has become the architect's main client. Patrice Derrington, the director of the Center for Urban Real Estate (CURE) at Columbia GSAPP (Graduate School of Architecture, Planning and Preservation), looks at the history of real estate development and makes the point that, at the beginning, its practice had little in common with the villainous image it has today.

I

In January 2019, in the democratic USA, a hedge fund manager – a dealer in financial assets – paid a record-breaking $238 million for a 2,400-square-metre penthouse in New York. Meanwhile 800,000 unpaid federal government workers were struggling to meet their January payments on mortgages or rent, totalling $438 million. In total, a little under twice the price for one single home for one single family. How can a just and fair society perpetuate the representation of this glaring inequality in its urban built form? What is the role of the architect and the real estate developer in this process – the former by design and the latter by delivery?

Entrepreneurial beginnings

Although architects might decry the compelling commercial influence of the developer in urban form, in terms of the legacy model of architects designing homes for not just the nobility, their engagement in a broader social issue and their formation as a professional group, rather than a patronised artist, was co-incident with the emergence of the real estate developer. Perhaps it was even made possible by the real estate developer.

Formulated as a structured business model in 17th century greater London – leaving behind feudal land ownership and the small-scale, "cottage industry" mode of producing space – the practice of property development arose to meet a critical unmet demand for housing, by all levels of society, as that metropolis trebled in population within the century and then suffered the devastation of the Great Fire in 1666. Although many socially progressive societies have established a public method for providing this human necessity, at the time, and as also continues today in many other societies, the predominance of shelter was provided by private enterprise.

A new middleman

Interest by the early real estate developer in undertaking such speculative housing was driven by the coalescence of a number of factors. A compelling one was the growth of commerce and trade by common folk as Europe emerged from the feudal system of the Middle Ages. With the growth in markets to trade excess goods – agricultural produce, cloth and other artisanal wares – and an expanded use of currency rather than barter, enterprising individuals set out to provide for the satisfaction of rising needs, particularly those in urban centres. Building houses was undertaken by tradesmen like the carpenter and bricklayer, but, with the excessive demand, the need for individuals to find sites and also arrange the stream of funding for materials and workers gave rise to a new "middleman" – a combination of project manager and commercial manager, known as an undertaker – as in "undertaking the development project" –, or an early, basic form of real estate developer.

One Among Many – Amsterdam in the 21st Century p 76

However, the activity of urban development also had a more inspired beginning at the time. In 1553 John Russell, a favoured courtier, from a family of successful traders in cloth and wine, was granted the title of Earl of Bedford. This included seven acres of land and the adjoining market garden of a former abbey, Covent Garden. He located his London residence there, just to the west of the City of London. His grandson, Francis, the 4th Earl of Bedford, noticed the lack of housing for the newly wealthy merchants and also fellow nobles and gentry who sought to spend time in London participating in their new commercial activities. Though capable of paying for a grand house, with the ownership of land surrounding London being restricted to the Crown or nobility, these potential residents did not have access to suitable sites. They had been staying in inns and tenements, but sought housing to accommodate their large households and to express their newfound wealth and status.

The case of Covent Garden

Given the delightful vegetation that had been cultivated on the family estate at Covent Garden, the 4th Earl rejected the current activities of creating cheap, tightly-packed houses on narrow streets. Having travelled as a young man, as was the fashion of his class at that time, Francis had noticed the pleasant effect of public places and piazzas on the surrounding businesses and residents. Those European formations were typically public spaces, but given the ownership structures in England, to replicate such a situation would require either a conveyance to the Crown, who probably would not want the expense of maintaining such a non-productive plot, or for the private landowner to provide it to the public himself; and this he decided to do.

Furthermore, as an astute man of court, the 4th Earl of Bedford knew of the rising interest in the aesthetics of the built environment by the aristocracy and men of means and therefore sought the assistance of the most respected architect of the day, Inigo Jones, to draw up his plans. In this arrangement we find an agreeable basis for the symbiotic relationship between the new, entrepreneurial developer and the architect, who was keen to move away from under-paid duties to the Crown: A developer who appreciated the quality of design in the built environment and an architect who could have his designs implemented with a high degree of visibility.

Central to his 1629 – 1630 plans for the Covent Garden development was an exquisite piazza surrounded by columned arcades, a simplified resemblance to the Place des Vosges in Paris, and detailed according to the highest principles of Italian neoclassicism. Despite the rejection of applications to build by an array of officials of the elected government, armed with this well-regarded design and undoubtedly utilising his court connections, Russell was successful in eventually receiving the Letters Patent approving his scheme in 1631. So, herewith we have an outcome with inherent conflicts: Aesthetically of high standard, it was rejected by the common rule, but promoted by elite interests – already the role of the architect and this new developer are found to be in a complex role with the broader society in which they are placing their buildings.

The public good in the urban environment

Another early principle of urban development arose with this project. In laying out the residences for his prospective up-market tenants, the earl paid for substantial public amenities: The public realm of the piazza, cross-streets linking major roads on all sides, and the parish church of St Paul's. Of course, there was the commercial impetus to create an environment with a pleasant ambiance and the prestige of a new parish, but unlike later urban squares that became gated and restricted, he did weave the development into the urban context and provide ease of access to the activities of the central square. Additionally, he not only built the church but directed the revenue stream from a number of his rental houses to provide operating funds.

Although such a model of urban development was emulated by others such as the Earl of Southampton in his development of Bloomsbury Square and the Earl of St Albans at St James's Square, there were numerous other instances where such provision of the public realm within high-end developments was not offered. In some situations, such as at Lord Salisbury's development in Swan Close off St Martin's Lane, the management of drainage was inadequate and his building took over land that had enjoyed common access since "time out of mind", that is, as long as tradition had allowed. With some pressure from the Westminster Commissioners, he compromised, though the outcome was an early example of how tenuous this dependency on the developer's voluntary contribution was for the satisfactory provision of public amenities, and the architect's ability to design for this urban quality.

A privately-enjoyed product

In the centuries following, in some instances, private developers have been concerned with contributing to the public realm, such as the Rockefeller Center and Seagram's Plaza in New York, among others. In other situations, strong and well-resourced public governance has provided the public realm to varying degrees of success. And, yet, in so many other urban developments, then and now, there is no regard for the externality of the buildings with respect to the public – the objectives and calculation of benefits is confined to the cash flow internal to the speculative property itself.

These solipsistic economics of development projects might be tolerated if the construction did not impose on the public, that is, as a privately-enjoyed product. However, urban development has a substantial impact on the community in which it is located in many ways. This is most obvious regarding the visual impact on the public realm of the street, but also in terms of the types of uses and occupants it brings to the area, and then by what opportunities of place, use and social dynamics are displaced. This is how the public outcry about real estate developments is catalysed, though it's usually too late in the process to have any positive effect. On the other hand, nor does that public readily make sacrifices for the public realm it so demands.

Around the world, the politico-economic trend is towards reducing revenues for the government's delivery of public benefits, and all too often communities vociferously engage in NIMBYism, rejecting the location of more affordable housing, homeless shelters and so forth amongst them.

The Land Belongs to the People – The Battle for Munich p 94

The assetization of real estate

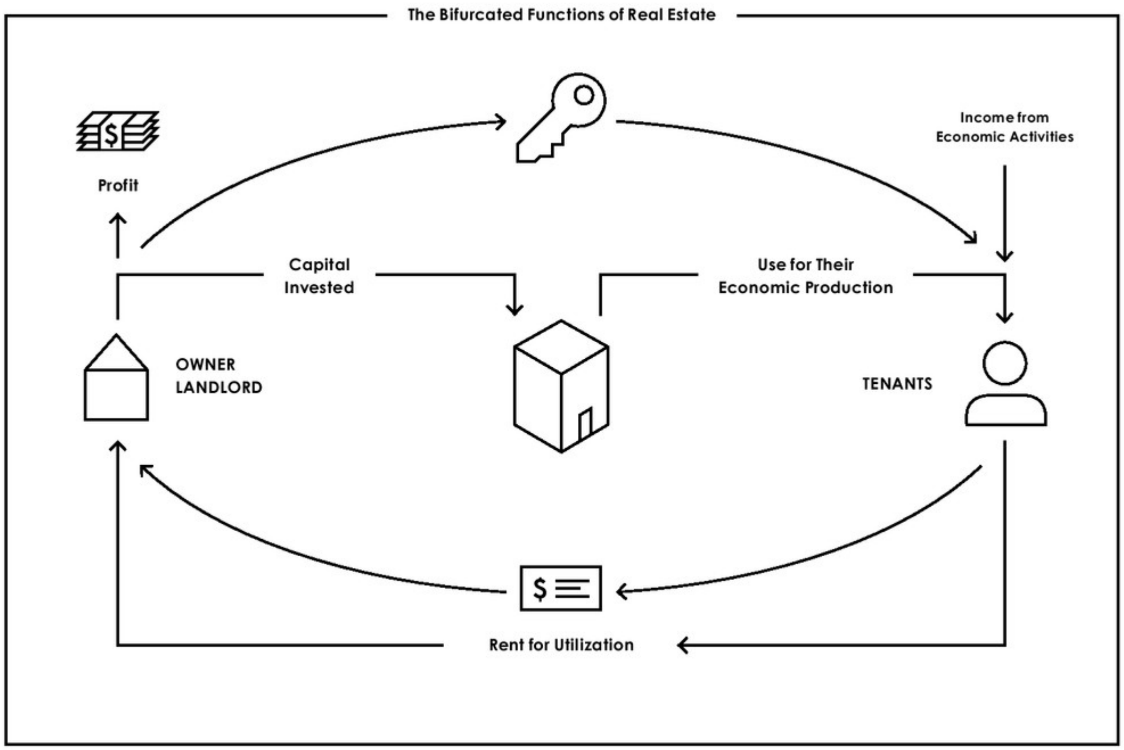
At the birth of the business of real estate development another important societal dynamic had a substantial influence on its practice and also on the contribution of the architect. Given that the development of property involves such large amounts of capital, the perception of it in terms of the new environment of commerce and trading in early modern London of the 17th century was changing. With the growth of wealth from expanded agrarian production and trading, around London the challenge of placing excess earnings where it would earn returns at least equivalent to that of the original economic activity became more common in London. Coinage and gold were stable preservers of value, but did not produce any regular income.

However, the English experience for centuries had been a very precise management of income from land – either through ground rent or taxes – and a valuation of the land that directly referenced that yield. Establishing a value of the ownership or property, if it were to be sold for instance, involved a calculation of the annual income multiplied by the anticipated number of years for which it would be under such a lease: the value of property that would receive £10/annum for say 20 years would be £10 multiplied by 20, that is £200. Therefore the ownership would be transferred upon the payment of the valuation of that property, £200. This calculation represented an "assetization" of the property.

Rent		# years		VALUATION
£1	×	20	=	£20

Although seemingly simplistic, this financial formulation of real estate made it very convenient for trading between owners, and was also a major advancement in presenting real estate as an investment opportunity, alternative to that of stocks, bond, gold or goods.

Real estate became interesting to investors not only because they received the rental payments during the lease term, but also because there was the speculation that at the end of that term, the rental rate might be higher and this would result in a higher valuation in the future. This is regarded as the appreciation in the value of property. Not only was the developer of a real estate project speculating with respect to the take-up by tenants and the rental rates they would pay at the time the building would be completed, but also future purchasers of that operating property would now be



buying it at a price based on speculation of its future rental increases.

The impact of speculation

It might seem that this expansion of the economic dynamics of real estate, from being based on annual income to that of combining annual yields with potential appreciation in value, would matter little to the architects who designed such projects, however, it fundamentally changed the way in which the developer approached expenditure on the building.[1]

This potential bifurcation in the uses of a building means that the design would be approached in one of two ways:

1.

If a developer were interested in creating a building to be retained indefinitely with the investment return on the capital used being that received annually from its operation, there would be considerable interest in the efficiency of the occupant program, the structural integrity and durability, and the aesthetic quality and "fit" within the neighbourhood.

2.

If a building were being constructed to immediately sell to a third party, singularly, or to a number of unit buyers, the developer would be more focused on the "market impression" or attractiveness to current buyers than those other aspects. The developer would not completely ignore those durability issues of course, but would be much less interested in allocating funds to those considerations.

This bifurcation of the investment nature of real estate, although having commenced in the 17th century, has remained a compelling force for urban development many times in the following centuries. It is often mistakenly regarded as "speculation", but all real estate development and acquisition that is not for one's own use is speculative in that its future cash flow from a third party is not definitively known. The important variation arises in the proportion of investment return to be received from annual cash flow during its ownership versus the increased price when it is sold. In the global real estate boom of the early 21st century, this latter return – value appreciation – sought by the large and fluid amounts of investment capital circling the globe, all but dominates the formation of cities.

Nor is real estate alone as an investment asset in tilting the balance of its worth from providing current cash flow to the "hope and prayer" of rising valuations. Even a cursory look at global stock markets reveals the overwhelming demand for "growth" stock, such as Apple, Google, or even bitcoins, where the profit is to be made by selling to someone who will pay a higher price, than for "income" stocks that pay a quarterly dividend. Such misplaced enthusiasm was behind the tulip bulb mania of the Netherlands in the 17th century, the South Sea Company speculative bubble of the 18th century, the tech bust of 2002 and the housing bust of 2008. Real estate – the buildings so finely crafted by dedicated architects – cannot avoid taking its place in the universe of investment assets, suffering the vagaries of financial booms and busts.

Cognisant of this dual financial dimensionality of real estate – its use as paid for by annual rent and its speculative value as realised when the property is sold for a higher price – those involved in its production are very interested in the proportionality of each. As mentioned previously, a long-term investor would be more interested in the functional design and durability, while the quick-seller seeks compelling market appeal. As such, other than meeting the respective client's wishes, the architect would probably not consider this economic dynamic of importance for their design activity. Just as for the rest of the financial world, it is understood that one makes money either through on-going labour, or through speculative investment, with architects mostly working for fees. Beyond that, it would not seem to matter much.

Make Architecture Great Again – The Architect as Developer p 66

Labour and capital

Drawing on the socio-economic framework derived from modifications to socialist analysis as proposed by Thomas Piketty in his somewhat controversial, though broadly respected, 2014 book, Capital in the Twenty-first Century, today's society in practically any country is confronted with the insidious perpetuation of inequality through this bifurcated structure of income versus wealth inherent in speculative investments. Of particular pertinence in his theory is the Marxian bifurcation of "labour" and "capital", by which he analyses the inequality of economic returns within a society. He elucidates the long history of the divergence in wealth between those whose income from labour increases at the rate of broad economic growth versus the accelerated increase in the return from investments, commonly known as "capital returns".

The Rockefeller Center, built between 1930 and 1939, includes a network of public spaces, the largest being the Rockefeller Plaza.

PHOTO: MARGARET BOURKE-WHITE/THE LIFE PICTURE COLLECTION/GETTY IMAGES

The workers hopefully keep up with the economy while the wealthy, with their excess capital to invest, grow richer at a rate beyond that of the economy.

No Choice Over Our Heads – Self-building in Almere p 126

The emergence of the "starchitect"

If we would like to uncover the manner in which real estate physically manifests and perpetuates such a structure of inequality, we can map that economic imbalance of Piketty's labourer versus the capital investor onto the bifurcated functions of buildings. Firstly, in its everyday operation of providing shelter, the "labour" of the building is compensated by the moderate annual cash flow derived from rent. As this operation is usually part of macroeconomic activity, it is correlated with broad economic growth: Its financial return increases at the rate of broad economic growth just as Piketty's labourer's wages do over the years. However, regarding the second dimension of a building's function, as an investment asset, it can achieve much higher rates of growth in these financial returns than that of the broad economy given the potential appreciation in its price within the capital markets, this being the property's equivalent of Piketty's "capital returns". Architects can be enjoined in this imbalance of financial returns to the speculative properties by the application of their skills to the "marketing" or sales objective of a development project. This has been the foundation for the emergence of the "starchitect" – certainly a top-quality designer, but one whose notoriety is applied by the speculative developer to the glamorisation or aspirational quality of the project. That the objectives of that developer lean towards the maximisation of sale price rather than long-term operational efficiency or occupant satisfaction are evidenced by the predominant use of images of form, finishes and facade rather than functional or environmental efficiency in the marketing materials.

Life at the Top – The Development of 111 West 57 p 44

Real estate development as a discipline

Despite the initial public contributions in 17th century London, and its perpetuation and global spread as the predominant mode of delivering the built environment since, the adverse consequences to be found in so many urban communities indicates that this current production process of real estate development is severely flawed. In addition to public condemnation, various academic and professional disciplines like urban planning, architecture, urban policy and land economics have been addressing the problem within the analytical framework of their respective fields. Also, some forms of proactive community engagement in the planning process have evolved, although generally these have proven to be relatively ineffective, partial remedies and the urban inequities continue.
At Columbia's Center for Urban Real Estate (CURE), the current mode of production of the built environment is challenged in both its aspects of financial performance and the spatio-socio-economic impact it has on the community. Rather than seek to establish better defences for the public against the "ignominious real estate developer", the research starts with the presumption that the community can lead the process of envisioning its future built environment, but in this it needs to be supported by analytical tools, data management, and a comprehensive understanding of the idealistic and pragmatic trade-offs in having their objectives realised. By utilising data science, a much more complex and rigorous process of decision-making is to be formulated for the real estate development process, and with the assistance of Artificial Intelligence (AI), urban communities can be empowered to determine their own futures and have those futures represented in their built environment.
Furthermore, though discussed within the different forums of investment returns and business processes – and though generally eliciting little sympathy from society at large – the real estate developer is quite vulnerable to being adversely impacted by the current practice in which the built environment is conceived, regulated, funded, and physically produced, with the fundamental analysis of risk and return being poorly pursued and lagging other forms of asset investment. For the appropriate formulation of Columbia University's professional real estate development program, the research at CURE seeks to reformulate the role and add rigour to the analytical analysis of the property developer, as she takes her place within the expanding urban community.
Therefore, it is timely, if not urgent, that the real estate development industry undertakes a self-evaluation and critique of the fundamental methodology by which it has come to exist, and persist, as the primary mode of delivering the built environment for much of the world today. Such an interrogation constitutes understanding its formulation as a business, its intricate embedding in the power structure of government, the speculative financial interests by which it is compellingly driven, and examining the inherent dynamics between the multitude of stakeholders as benefits are captured and distributed through the community. Achieving an elucidation of the nature and reasons for its most egregious and repetitive flaws, both architects and developers can propose changes to the process to ensure more socially equitable outcomes in the built environment, and more efficient economics of production for all participants.

1 Patrice Derrington, Property and Thomas Piketty: Casting the Lens of Thomas Piketty's Capital in the Twenty-first Century on Inequality in the Urban Built Environment, Contemporary Urban Affairs, 2018, Vol.2, No.2, pp. 90 – 105.