



Is anybody home? The influence of ghost apartments on urban diversity in Tel-Aviv and Jerusalem



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ABSTRACT

Over the last decade, as globalization processes have intensified, ghost apartments have become a worldwide phenomenon, especially in global cities. A ghost apartment is a housing unit that is owned by a foreign citizen and is empty throughout most of the year (that is, not inhabited by either the owner or renters). This study uses three measures to examine the influence of ghost apartments on urban diversity and urban residents: social mix, land-use diversity, and economic diversity. The study focuses on Tel-Aviv and Jerusalem and reviews the different outcomes and implications of the phenomenon in each city. The paper concludes by pointing out how foreign capital can affect the priorities of the decision makers in the city, while influencing the urban diversity. In addition, each city's unique characteristics may affect the influence of ghost apartments on urban diversity.

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1. Introduction

In recent decades, many people have purchased apartments in countries they do not live in. This is not a form of immigration. These apartment buyers continue to live in their home countries but own additional accommodations elsewhere, primarily for recreational or investment purposes (Hall, and Muller, 2004). (See Fig. 1.)

The phenomenon is not new. A second, vacation home of the wealthy was common in many parts of the world during the twentieth century. However, the concept has changed fundamentally in recent decades. Traditionally, a wealthy family from the city bought a single-family home in a rural area, in the same country, as a retreat from urban life. Today, the second home purchased by the global world's wealthy elite is an apartment in a high-rise building in a prestigious neighborhood of the inner city of a global city (Williams, King, and Warnes, 2004). Hence, the phenomenon is notable particularly in global cities such as London, New York, or Sydney, which are world tourist cities and where real estate value is high (Sassen, 1996).

In addition, since the beginning of the twenty-first century, along with the intensification of the globalization processes, the scale of the phenomenon has grown substantially, especially in those cities (Alfasi and Ganan, 2015). The expansion of the phenomenon has drawn greater attention to its potential influence on the city, and perhaps

this increased attention has led to the new, somewhat critical, name of "ghost apartments," apartments whose owners are absent most of the year.¹

In New York, for example, some 57% of the apartments in the area bounded by 56th and 59th streets and Fifth and Park avenues are empty for about 10 months of the year.² In Paris, 95% of the most expensive homes are sold to international buyers, as are 85% of the most expensive homes sold in London.³

Consequently, many cities and states have acted to limit foreign purchases of housing, especially of very expensive apartments. In England, an organization called The Empty Homes Agency has been established to help monitor and supervise the number of empty homes.⁴ Singapore⁵ has decided on an additional tax equal to 10% of the value of the apartment. In the United States, Congress is considering a bill

¹ In some places, the concentration of many ghost apartments in a particular neighborhood can create a "ghost neighborhood." Tanya Powley and Lucy Warwick-Ching, "Stateless and super rich," *Financial Times*, April 28, 2012:

<http://www.ft.com/intl/cms/s/2/740ff32-8d34-11e1-8b49-00144feab49a.html#axzz2mrGOKTG>.

² Katherine Clarke, "No one is home at some of Manhattan's most luxurious apartments," *Daily News*, September 5, 2014: <http://www.nydailynews.com/life-style/real-estate/no-home-manhattan-luxurious-apartments-article-1.1928637>; Yari Osorio, "Most expensive homes in NYC: Empty," *Liberation*, October 31, 2014: <http://www.liberationnews.org/expensive-homes-nyc-empty>

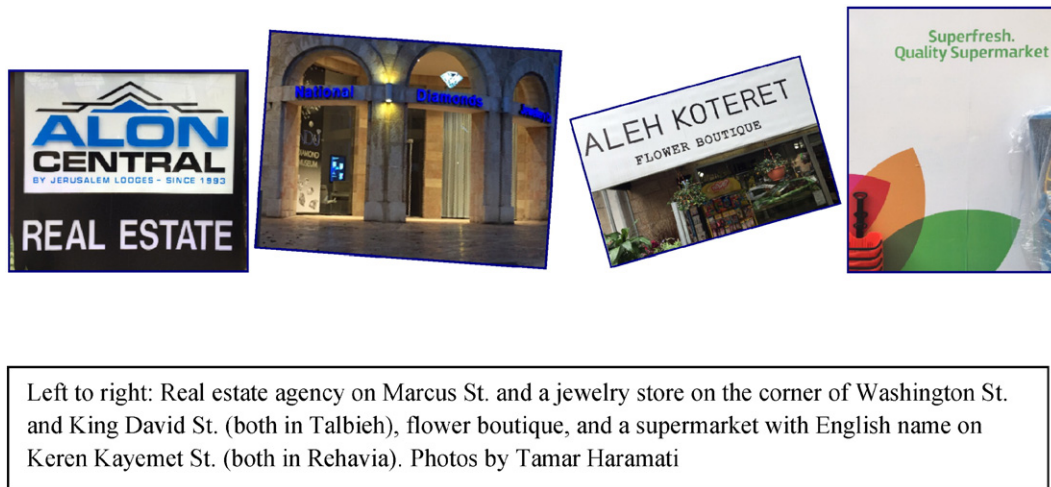
³ Powley and Warwick-Ching, "Stateless."

⁴ <http://www.emptyhomes.com/>

⁵ Powley and Warwick-Ching, "Stateless/"

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Left to right: Real estate agency on Marcus St. and a jewelry store on the corner of Washington St. and King David St. (both in Talbieh), flower boutique, and a supermarket with English name on Keren Kayemet St. (both in Rehavia). Photos by Tamar Haramati

Fig. 1. Shops and businesses in Talbieh and Rehavia.

that would impose an additional tax on housing units whose value exceeds \$5 million and are not used as the owner's primary residence.⁶

Because of the current global expansion of the ghost apartment phenomenon, it is important to examine its differential manifestations in global cities and its potential influence on urban diversity and on the permanent residents. Our study is a response to this challenge.

In this paper we examine the influence of ghost apartments on urban diversity on three levels: social, land use, and economic. Focusing on two global Israeli cities—Tel-Aviv and Jerusalem—we analyze and compare the manifestation of the phenomenon in each.

The findings reveal a differential influence of ghost apartments in each city on the three levels examined. Moreover, although the phenomenon of ghost apartments is global, our findings indicate that each city's unique characteristics and constraints affect the manifestation of the phenomenon.

In the next section, we briefly review the global phenomenon of ghost apartments and their effect on urban diversity. The third section presents the unique characteristics of ghost apartments in Israel. In the fourth section, we present our research methodology. The fifth and sixth sections contain our findings regarding each city and a comparison of the two. We conclude by pointing out how foreign capital can affect the priorities of a city's decision makers, thereby influencing urban diversity. We also refer to how a city's unique character can affect the ghost apartments' influence on its urban diversity.

2. Ghost apartments and urban diversity

In recent decades, the concept of residency has undergone substantial changes worldwide. These changes are mostly a consequence of globalization, technological advances, and the fact that in the global era people can easily relocate their lives and have a variety of home bases (Castles and Miller, 1998; Chambers, 1994). A modern kind of residency that has become more common, particularly in the Western world, is the purchase of an additional apartment or home in a foreign country for leisure, business, or investment purposes (Duval, 2004). These second apartments are rarely rented out and stand empty⁷

⁶ According to the American Population Registry, about 30% of the apartments in the area located south of Central Park (in NYC) are vacant for about 10 months a year. "Slim Shady," *Bloomberg BusinessWeek*, November 2014.

⁷ An apartment is considered empty if it is regularly vacant for more than six consecutive months in a year, as measured by water consumption. Ami Sedghi and George Arnett, "Empty homes in England: Get the data by local authority," *The Guardian*, June, 2, 2014: <http://www.theguardian.com/news/datablog/2014/jun/02/empty-homes-in-england-get-the-data-by-local-authority>

throughout most of the year (Hall and Muller, 2004). A large concentration of ghost apartments in a specific neighborhood can influence the entire area and its residents, as we will explain below.

Ghost apartments are common in global and tourist cities (Sassen, 1996; Aronsson, 2004). A global city is defined as having a direct and substantial socioeconomic, cultural, or political influence on the world (Sassen, 1996). A tourist city is usually a specific type of a global city that attracts foreign visitors for leisure and business purposes (Fainstein, 2007).

Theorists argue that the allocation of resources in many cities is biased in favor of the interests of the highest-income households, rather than the interests of the middle- and low-income households (Fainstein, 2005). This argument is even more applicable to global cities, which often change their shape, size, and priorities in order to attract foreign visitors and residents. These changes may create tension between the interests of the sought-after wealthy foreigners and those of local residents of various socioeconomic levels (Fainstein, 2007; Purcell, 2003). This issue can be considered as part of a larger question: Should cities act solely on the capitalist imperative of profit-making, or should they aim primarily to provide for the social needs of their residents (Brenner, Marcuse, and Mayer, 2009; Harvey, 2003)?

Ghost apartments can be viewed as manifestations of this tension, for several reasons. First, they are a reflection of growing socioeconomic gaps, particularly in global cities, creating segregated luxury areas of the wealthy, and often foreign, elite (Sassen, 2001). In particular cases they intensify segregation in the urban sphere by creating gated communities that are closed to local residents (Rosen and Razin, 2009). Second, such segregated areas are the main locations where the super-rich elites organize their consumption and reproduce their global lifestyle (Pow, 2011), thus affecting the viability of local services and facilities, such as shops and schools, and influencing prices in the local housing markets (Alfasi and Ganan, 2011, 2015; Wallace et al., 2005). Third, whereas the global upper class can afford to buy luxury apartments in the most attractive cities in the world without living there, the average middle-class resident cannot afford to buy an apartment in the city's center or falls behind in mortgage payments (Crookes and Greenhalgh, 2013; Gurran, 2008).

Recent studies have begun to explore the various (positive and negative) influences ghost apartments have on the city and its residents. On the one hand, large amounts of foreign capital are invested in the city through local fees and taxes. This money increases the city's budget and may improve the variety and quality of services the city can supply to its residents. This is especially attractive to shrinking cities (Cunningham-Sabot and Fol, 2009) or financially-straitened cities (Alfasi and Ganan, 2011). On the other hand, researchers have started

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