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Latent State Infrastructure and Financialisation: Insight from a Post-Apartheid Public Pension Fund and Real Estate

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Abstract: South Africa's Government Employees Pension Fund (GEPF) is among the world's largest pension funds, public or private. The pension fund's sizeable coffers reflect reforms to its structure undertaken as a safeguard for apartheid bureaucrats. Today, the fund is entangled in South Africa's financial markets. Through an analysis of the GEPF's investment in real estate, it is shown how investments by a government employees' pension fund intertwine with real estate financialisation in South Africa. Representative of the latent state infrastructure that is not often the site of interrogation in scholarship nor activism, the case of the GEPF can help expand our understanding of the relationship between the state and financialisation.

Resumen: El Fondo de Pensiones de los Empleados del Gobierno de Sudáfrica (GEPF) se encuentra entre los fondos de pensiones más grandes del mundo, públicos o privados. Las cuantiosas arcas del fondo de pensiones son un reflejo de las reformas a su estructura emprendidas para salvaguardar los intereses de los burócratas del apartheid. Hoy, el fondo está entretejido en los mercados financieros de Sudáfrica. Mediante un análisis de la inversión del GEPF en bienes raíces, se ha demostrado cómo las inversiones de un fondo de pensiones de empleados del gobierno se conectan con la financiarización de bienes raíces en Sudáfrica. El caso del GEPF, que representa una infraestructura latente estatal que no suele ser objeto de interrogación en el activismo ni en la literatura académica, puede ayudar a ampliar nuestra comprensión de la relación entre el Estado y la financiarización.

Keywords: financialisation, state, pension funds, real estate, statecraft, apartheid

Introduction

A wave of post-2008 critical scholarship has outlined the state's role in real estate financialisation. Recently, Christophers (2022) sought to explain the US state's stabilisation of the housing market by borrowing the conceptual framework that financial markets are part of the *governance infrastructure* of states (Braun and Gabor 2020). Christophers (2022:148) argued: "Financial institutions enjoy power vis-a-vis the state because it is increasingly through financial markets themselves that the state pursues certain important policy objectives". This builds on a lineage of North American and Western European scholarship which has illustrated how the state, as government, creates conditions through a slew of multifaceted policies at different state scales, to facilitate land and housing financialisation by private actors (Aalbers 2016; Belotti and Arbaci 2021; Byrne and Norris 2022; Guironnet et al. 2016; Hofman and Aalbers 2019; Ward and Swyngedouw 2018). However, in recent times, a confluence of scholarship on the state and real estate financialisation—encompassing conceptual and empirical antecedents from Asian-based scholarship—is illuminating complex governance arrangements, an array of state-based entities, and an amorphous boundary between financial institutions and the state. The Government Employees Pension Fund (GEPF) in South Africa, multifariously intertwining with real estate, can contribute further insights.

The GEPF is a large shareholder in listed corporate real estate; co-owns unlisted real estate companies; directly owns properties and is involved in real estate through its "impact" investing. It is Africa's largest pension fund and is ranked 37th of the world's pension funds in terms of assets under management (Willis Towers Watson 2021). The GEPF expands Christophers' (2022) recent contribution to illustrate how financial markets are part of the governance infrastructure of states—not only a means to pursue policy objectives, but also a means to enable and sustain pension systems. State-based pension funds remain under-analysed in scholarship on the relationship between the state and real estate financialisation, despite being omnipresent in financial markets (Strohecker 2022; Willis Towers Watson 2021).

The case of the GEPF and real estate invokes this scholarship to direct more considered attention to public pension funds as latent state infrastructure. The GEPF is arguably obfuscated as state infrastructure due to its less-than-linear and dynamic relationship with government policy objectives and political will. The fund's mainstream investment via its corporatised investment manager is not atypical of pension funds nor divergent from financial logic. Yet, it is shown to be part of the governance infrastructure of the post-apartheid South African state. Thus, the GEPF can nuance recent arguments regarding statecraft objectives and real estate financialisation (Belotti 2023; Wijburg 2019) including engagements with pension funds (Thrower 2018). As a South African public pension fund restructured at the tail end of apartheid, the GEPF also broadens the optics of financialisation (Christophers 2015) and continues a thread in South African critical scholarship of highlighting the relationship between race, capital accumulation (Alexander 1979; Fine and Rustomjee 1996; Magubane 1986), and financialisation (Ashman and Fine 2013). Importantly, making visible and analysing latent state infrastructure expands the sights and sites of material struggles for housing, land, and home.

The Relationship between the State and Real Estate Financialisation

In the wake of the North Atlantic Financial Crisis (NAFC), critical scholarship has shown how real estate and financial markets are "entangled" (Aalbers 2008:151). Seminal work emerged on the "financialisation" of home (Aalbers 2008, 2009), the urban built environment (Christophers 2011), urban redevelopment (Rutland 2010), and the transformation of the "spatial fixity" of land and property into liquid investment and revenue (Gotham 2009). Mortgage securitisation in North America and Western Europe became central to this scholarly enquiry (see e.g. Aalbers 2008, 2009; Fernandez and Aalbers 2016; Sassen 2009). Relatedly, the state, as government, was shown to have enabled liquidity in housing real estate through legislation and policy; acted as an agent in transforming publicly-owned land or buildings into financial assets; and facilitated the transferral of distressed homes to financial institutions (see e.g. Aalbers 2016; Belotti and Arbaci 2021; Byrne and Norris 2022; Gil García and Martínez López 2023; Guironnet et al. 2016; Hofman and Aalbers 2019; Waldron 2018; Ward and Swyngedouw 2018). As Christophers (2022) has noted, although the state's role in this financialisation has been well-outlined, it is less often conceptualised. Referencing the US state's multifaceted entanglement in post-2007 single-family rental housing, Christophers (2022:148) adds credence to the position that "Financial institutions enjoy power vis-a-vis the state because it is increasingly through financial markets themselves that the state pursues certain important policy objectives". Financial markets are thus shown to be part of the state's *governance infrastructure* (Braun and Gabor 2020).

The argument that financial markets are *part* of the governance infrastructure of states echoes Wu (2023), who recently illustrated the role of state-based financial instruments that underpin expansive Chinese urban development. Calling this financialisation the "long shadow of the state", Wu (2023:53) argues that the financialisation of urban development, rather than explicitly pursued, was a "by-product" of the Chinese state's operations and strategic governance considerations. The entrepreneurial state expanded credit and utilised financial instruments to avert economic crisis, spur urban development, and bolster homeownership. Wu (2023:52) argues that this illustrates how the "rationale of financialization is internalised" by the state: "That is, the state applies the financial principle during its operation but is not 'captured' by the financial sector. After all, the Chinese financial sector is dominated by state-owned banks". While echoing Christophers' (2022) argument that financial markets are a means for the state to pursue policy objectives, Wu (2023) illustrates how financial institutions can be internalised within the state. Both veer from a tendency in critical scholarship of instrumentalising the relationship between the state and real estate financialisation.

Wu (2023) and Christophers (2022) thus offer conceptual contributions to coalescing contemporary scholarship illustrating how real estate financialisation is *part of* governance, extending beyond government. As the work of Yeşilbağ (2020:539) on housing financialisation in Turkey also shows, "state involvement in this case transcends the field of legal and regulatory transformations that financialisation needs to take off in the first place". Yeşilbağ (2020) characterises the state's financialisation of housing in Turkey as "state orchestrated". This, to account for the direct involvement of the state in the financialisation of housing, spearheaded by the "superinstitution" TOKİ (Yeşilbağ 2020:545). The latter's multiple and subsidiary functions extend to financing construction and mortgages, opening state land to development, driving urban rejuvenation programmes, and facilitating capital investment via a state-owned Real Estate

Investment Trust (REIT) (Yeşilbağ 2020). What Yeşilbağ (2020:539) describes as "a persistent and systematic state strategy armed with material institutions" resonates with Haila's (2015) earlier conceptualisation of the Singaporean "property state".

Haila (2015) responded to mainstream economists and free market idealogues by arguing that a land-owning and interventionist state can be conducive to financial capitalism. The Singaporean state, Haila showed, is embedded in real estate through REITs, government-linked companies, a state investment company (Temasek), and a sovereign wealth fund (Government of Singapore Investment Corporation) (Haila 2015:157). Although Haila saw this as a Singaporean particularity, her work arguably first shed light on the multiple forms and realms that can characterise a state's relationship with real estate financialisation. Her insights regarding the "property state", although often not cited, are reflected in today's real estate financialisation scholarship—not only in Yeşilbag (2020), but also in Whiteside's (2019) contributions regarding the Canada Land Company.

Insights from China, meanwhile, are consistently resonating beyond its borders in contemporary real estate financialisation scholarship. As in the work of Wu (2023), these complicate a public/private sector binary in financialisation (Pan et al. 2021; Wang 2015) and illustrate many forms and scales of a non-monolithic, sometimes divergent, state in the financialisation of housing and property (Feng et al. 2022). Like Feng et al. (2022:1268) who identify "intrastate divergence in the process of financialization", state multifarity in real estate financialisation is raised in the work of Belotti and Arbaci (2021:429) who discuss a "multilevel architecture of the state" in the financialisation of Italy's social rental housing. They point to a "non-linear and complex interplay among levels of government" (Belotti and Arbaci 2021:429). Meanwhile, inspired by Wu (2023), Aalbers (2023) argues that the state—beyond just the Chinese state—"co-evolves" with finance, may "mimic" finance, and can "mutate". As Aalbers (2023:796) explains, "the state creates the conditions for the financialization of the city and by doing so it brings the characteristics of finance inside the state".

Relatedly, the concept of a "shareholding state" first put forward by Wang (2015) was recently invoked by Belotti (2023) to refer to the Italian government's "indirect interventionism" in social housing. Belotti (2023:1261) argues that the national government's shareholding in former public entities, now managing and investing in real estate investment mutual funds (REIMFs), is used to "exert a soft coordination of quasi-market social rented housing production in a new governance framework". This restructuring of "the material basis of the state" in pursuit of statecraft objectives is also the focus of Addison and Halbert (2022:508), who direct their attention to how the financialisation of real estate is used as a means of income generation to address the Italian government's institutionalised "permanent austerity". Similarly, Wijburg (2019:217) shows how Icade, a government-owned REIT in France, was created "to self-finance state activities".

Research on real estate is thus buttressing critical scholarship on derivatives in conceptualising financial statecraft (Fastenrath et al. 2017; Lagna 2016). "Financialising city statecraft", Pike et al. (2019:79, 89) argue, captures "the art of government and management of state affairs and relations" that makes "room for mediated rather than only direct state engagement in infrastructure" where the state is both "object *and* agent of financialisation". This is characterised by "the mixing, hybridising, and mutating of … governance forms" (Pike et al. 2019:101). However, Wijburg (2019) is cautious of calling Icade, one such hybridised form, as financialised *dirigisme*. By acting "Much like any other large French REIT" (Wijburg 2019:216), Icade poses a challenge to whether state-based REITs in fact "assert state power" or instead embolden "private" finance capital. Belotti (2023:1278) similarly questions the social objectives of REIMFs, and "the limited consistency between policy objectives and financial logic" in Fondo Investimenti Abitare's investment strategy. A tenuous relationship with government policy objectives, and a prominent financial logic, makes both question the "state-ness" of these financialised entities.

In what follows, this article seeks to expand this understanding of how the state relates to real estate financialisation. The research undergirding this article was guided by the impulse, from experience in urban land justice activism, to contextualise multiplicity in the state and the observed nebulous boundary between the private and public. This sought to identify, analyse, and conceptualise *lesser-seen* ways in which the state relates to real estate, especially dominant real estate, in Johannesburg and Bangalore. The Johannesburg component of the research included 37 face-to-face in-depth interviews[1] with key informants, and participant observation in real estate conferences between 2019 and 2020. Additionally, analysis was undertaken of news articles, feature articles, annual reports, company websites, and government documents. The analytical lens was informed by critical scholarship on the built environment which has approached the state non-normatively and non-monolithically, recognising that real estate, as a process of accumulation, is not an inherently "private sector" endeavour (Benjamin 2008; Haila 2015; Parikh 2015; Scott 1980). In Johannesburg and South Africa, the GEPF emerged as one notable lesser-seen way in which the state relates to real estate, and relatedly the latter's financialisation (Pillay Gonzalez 2022).

State-based pension funds have been rarely analysed in critical scholarship on real estate financialisation (for exceptions, see Fix 2007; Thrower 2018). This is despite public pension funds, alongside sovereign wealth funds (SWFs), being recognised as among the world's largest asset owners and institutional investors (Willis Towers Watson 2021). Assets owned by these funds reached a record high in 2021 (Strohecker 2022). Of the globe's pension funds, both private and public, state-based pension funds make up 60% of the top ten (Willis Towers Watson 2021). In 2020, Japan's, Norway's, and South Korea's government pension funds ranked first, second, and third respectively (Willis Towers Watson 2021). Although Sanfelici and Magnani (2022) and Hebb and Sharma (2014) include state-based pension funds in their analyses in Brazil and the USA respectively, they focus on the rationalities and spatialities of pension funds generally, in comparison to other institutional investors.

There are some instances where the "state-ness" of pension funds and their role in the built environment has been recognised. In Brazil, Fix (2007) made early reference to the ways in which the financialisation of commercial real estate in São Paulo was aided by the investment of pension funds, many of which were linked to state-owned companies like Petrobas. More recently, Thrower (2018:265) views public sector pension funds, along with "quasi-public" MFIs and SWFs, among contemporary channels that the state uses to express "its political will and infrastructure policy". Linking to Pike et al. (2019), Thrower (2018) argues that pension funds are part of contemporary financialised and mediated statecraft. As will be shown below, the GEPF contributes to and stretches this scholarship.

Contextualising the Government Employees Pension Fund and the Public Investment Corporation in South Africa

The GEPF currently has over 1.2 million members and provides for 500,000 pensioners and beneficiaries (Brown 2022). Its total assets amount to close to US $130 billion, or just over two trillion South African rands (ZAR) (Willis Towers Watson 2021). Notably, at least 90% of the fund's investments have to be made in South Africa (Brown 2022; Moleko 2019). As Africa's largest pension fund, the GEPF is also the single largest investor on the JSE and the South Africa's single most influential pension fund (Brown 2022; Moleko 2019).

As Fred Hendricks (2008) has shown, the size of the Government Employees Pension Fund is a function of its scheme structure adopted by an outgoing apartheid government. As the turbulent 1980s drew to a close in South Africa, a democratic and black government appeared inevitable. In the face of this, a new scheme structure was adopted as a protectionist strategy for apartheid's, mostly white, public servants (Brown 2019; Hendricks 2008). Restructuring to a fully-funded scheme (FFS), in contrast to a pay-as-you-go (PAYG) scheme,[2] guaranteed pensions for the entire government workforce if the South African government were to "close shop" overnight (Hendricks 2008). As Hendricks (2008:8) explains:

> The civil servants of the apartheid regime feared that the new democratic government would fail to honour pension arrangements made under apartheid. The perceived risks were of a political nature, and the reasons for the shift were clearly not based on any actuarial calculations.

The debt required to fund this new pension structure fell squarely on the new post-apartheid government (Brown 2019; Hendricks 2008; Moleko 2019). In a period of global structural adjustment characterised by servicing debt to international financial institutions, the South African government was instead indebted to itself (Hendricks 2008:iii). Domestic debt increased from R66 billion in 1989 to R297 billion in 1996, while in the same period the assets of the GEPF grew from R31 billion to R136 billion (Hendricks 2008:iii). Making reference to the South African government's National Treasury Report in 1999, Moleko (2019:111) notes:

> The Annual Report (1999) stated that more than a fifth of the fiscus at 21.4 percent went towards debt repayment in 1998. This cost is due to domestic debt, of which 98 percent was incurred after 1994 or agreed to during the negotiated Convention for a Democratic South Africa talks ... the holders of 40 percent of the domestic debt were the Public Investment Commissioners, which held the assets of the GEPF.

Although the fully-funded scheme was adopted at the tail end of apartheid, the Government Employees Pension Fund was formerly legislated in 1996, two years after the first democratic election (Hendricks 2008). The newly legislated GEPF amalgamated fractured and racialised apartheid government workers' pension structures (Hendricks 2008). Mandatory prescribed assets allocations, which included investments in public entities, were lifted, and public pensions were no longer mandated to provide debt to the South African government (Moleko 2019). Another notable shift occurred in 2004, when the Public Investment Corporation (PIC) was proposed in a bill to parliament as a revamped corporatised public asset manager for the Government Employees Pension Fund and other public clients, as "an institution outside the public service" (Public Investment Corporation Act 2004, cited in Hendricks 2008:12). The latter was widely opposed by civil society, particularly the Congress of South African Trade Unions (COSATU) (Hendricks 2008).

According to the proposed bill, the PIC's investment decisions and the minister's board appointments would not be subject to parliamentary oversight nor public input. COSATU argued that an ostensibly "private" public pension scheme would not prioritise the country's developmental needs. In spite of these concerns, the legislation was passed. In 2007, the GEPF signed an Investment Management Agreement (IMA) with the PIC, "in which the PIC was appointed as an investment manager of the GEPF and is required to act within the investment policy of the GEPF" (Commission of Inquiry 2020:139). The PIC is "an asset management company that manages clients for a fee" (Commission of Inquiry 2020:7), where clients "determine their fund's objectives, its investment philosophy and other elements of its investment strategies" (Wahome 2019:12).

As illustrated in Figure 1, close to 87% of assets managed by the PIC are GEPF assets (PIC 2019). As the PIC's primary client, the GEPF's main objectives are to

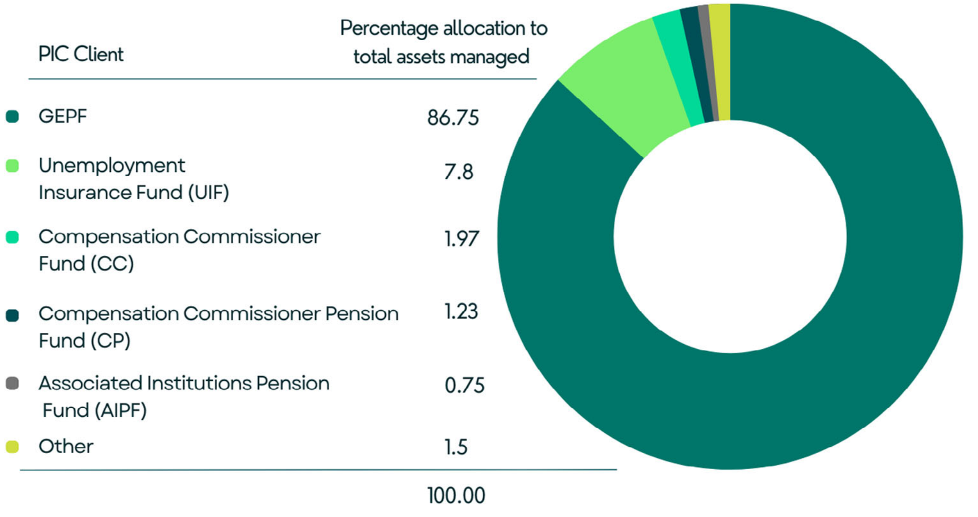

Figure 1: The percentage allocation of PIC clients to its total assets managed (adapted from PIC 2019:7)

ensure the promised and inflationary-adjusted benefits to its members and their dependents, while keeping members' contribution rates stable (GEPF n.d.). The GEPF outlines proposed asset allocations for different asset classes, which are "determined after considering the expected future benefit payments of the fund, the current financial position of the fund, and the risk to that financial position represented by investing in differing asset classes" (GEPF n.d.:4). The recent strategic allocations of the GEPF's investment strategy are outlined in Table 1. As the PIC's largest client, the split and management of the PIC's overall assets (Table 2) closely mirrors the investment policy and asset allocation percentages of the GEPF (Table 1). The investment allocation is not unlike those of other large investment funds—mixing equities, bonds, cash investments, private equity, direct investment in property, and marginal "impact" investing. The geography of the PIC assets, meanwhile, reflects the GEPF's legislated requirement to invest 90% of its funds in South Africa (GEPF 2020). As noted in Table 2, the largest strategic investment allocations of the GEPF are to listed equities and bonds in South Africa. A substantial proportion of this core investment in domestic equities and bonds are "passively managed" by the PIC for the GEPF (GEPF n.d.). This passive management

Table 1: The GEPF's strategy for investment classes (adapted from GEPF Investment Policy Statement [GEPF n.d.:5])

Asset Type	Minimum	Strategic Allocation	Maximum
Domestic equities	45%	50%	55%
Domestic property	2%	5%	8%
Domestic bonds	22%	31%	40%
Cash/Money market instruments	0%	4%	8%
Foreign equities	1%	3%	5%
Foreign bonds	0%	2%	4%
Africa*	0%	5%	5%
Total		**100%**	

*excluding South Africa

Table 2: PIC assets split by asset class and as a percentage of total assets (adapted from PIC Inquiry Workshop Report [Wahome 2019:26, 33]; source: PIC 2018)

Listed	ZAR bn	%	Unlisted		ZAR bn	%
Equities (Internal)*	832	39.94	Isibaya	Private equity	21	1.02
Bonds (Internal)	692	33.20		Impact investing	49	2.35
Listed funds (External)*	194	9.32		Rest of Africa	6	0.30
Cash	112	5.38	Property		47	2.26
Global equities	91	4.38				
Global bonds	21	0.99				
Rest of Africa	18	0.86				
Total	**1959**	**94.07**			**123**	**5.93**

*includes listed properties

refers to the use of index tracking strategies. As explained in the "PIC Inquiry Workshop Report":

> This type of investing is widely employed by some of the largest asset managers across the globe. For example, BlackRock, which is the largest money manager in the world, makes use of index tracking as part of their core offering. (Wahome 2019:28)

Alongside this, the PIC actively manages some listed investment for the GEPF, and is also the latter's "manager-of-managers" (Wahome 2019:9), overseeing outsourced external fund managers for "specialist investment portfolios" such as offshore investments (GEPF n.d.:8). Approximately 22% of the PIC's total listed assets—local and global—are devolved to external private fund managers (Wahome 2019:29).

"Responsible" long-term investing is an objective of the GEPF, and "extra-financial information" of investments is taken into account "where compatible with its other objectives" (GEPF n.d.:4). As a result, a small proportion of the GEPF's assets are invested according to its developmental investment policy, which is described as having "four pillars": economic infrastructure; social infrastructure; job creation; and the green economy (GEPF n.d.:6; GEPF 2021). This developmental investment by the GEPF is not considered "philanthropy or grant funding: it must generate a financial return" (Wahome 2019:15). Since 2008, this investment has been directed primarily via unlisted investments through the PIC-managed Isibaya fund (Luvhengo 2012). As seen in Table 2, this proportion of investment is overshadowed by the GEPF's other investments.

The investments made by the PIC on behalf of the GEPF have not escaped scrutiny. Hendricks (2008:20) argues that acting like a "privately-owned asset management firm" has benefitted "a very small black bourgeoisie"—including the current President Cyril Ramaphosa. In contrast, welfare possibilities and social goals have been "woefully neglected" (Hendricks 2008:15). This falls within a broader critique of the African National Congress-led government's trickle-down approach to undoing the racialised economic inequality brought about by apartheid. Through the Isibaya fund, which constitutes less than 5% of assets under management, the PIC has provided black-owned firms with debt and equity—including to facilitate the purchase of shares in historically white-owned firms. One of the key objectives which guides the Isibaya fund—"black ownership" (Hendricks 2008:15)—is informed by a post-apartheid national policy of Black Economic Empowerment, a priority of which is rejigging a predominantly white-owned and managed corporate economy by increasing black shareholding.

At the same time, the PIC has also been criticised for the commercial unviability of its Isibaya fund investments. Recently, a Commission of Inquiry appointed by President Ramaphosa scrutinised "allegations of impropriety" regarding PIC investment (Commission of Inquiry 2020:794). Among the most publicised were equity investments and debt-financing facilitated by the PIC's then-CEO undertaken through the Isibaya fund (amaBhungane 2022; Commission of Inquiry 2020; Mail and Guardian 2018; Nicolson 2019; Planting 2019). The CEO claimed "pressure from senior politicians of most parties, very influential people in various fields and business people…" (Mahlaka 2019). Poor governance and a lack of oversight were cited by the Commission to explain the CEO's "insufficient commitment to the prudence requirement" (Commission of Inquiry 2020:141). Among the Commission's recommendations were decentralising decision-making processes, increasing oversight, and limiting the number of investments that could be made to single parties (Commission of Inquiry 2020).

This recent scrutiny of PIC investment is located within a broader narrative of "state capture". The latter has become emblematic in South African mainstream discourse of the utilisation of state resources for the enrichment of senior bureaucrats, politicians, and their associates during Jacob Zuma's presidency. Merging Hendricks' (2008) earlier critique of a corporatised PIC and contemporary state capture discourse, Brown (2019) argued that the PIC's investment has been central to the creation of a "black capitalist class" characterised by different strategies: "The strategy of capital accumulation of the aspiring black elite through the use of the PIC took two main forms: illegal and corrupt deals along with BEE investment schemes".

Although the GEPF's post-apartheid investment via the PIC has been subject to racialised scrutiny in public discourse and scholarship, missing from this is its dominant and mainstream investment in the country's largest listed companies. As noted in Table 1, the latter reflects the GEPF's core investment allocation to domestic equities. Analysing GEPF investment in South African real estate highlights how the PIC has *also* benefitted historically dominant, and predominantly white-owned and -led corporate businesses. Beyond stretching and reinforcing a South African—black and white—capitalist class, the GEPF is also shown to be embedded in real estate financialisation.

Government Employees' Pensions and Real Estate Financialisation

In May 2021, the still-new office block that serves as the African headquarters of Deloitte acquired a new landlord. The building is located in Waterfall City, a mixed-use private megadevelopment built on the northern edges of Johannesburg, South Africa's most populous city. The Deloitte headquarters is next door to one of Africa's largest malls, flanked by an array of gated housing developments, a private hospital, and smaller shopping centres. Deloitte's new landlord was the GEPF, through its asset manager the PIC, taking over the building from the Atterbury Group and their listed REIT, Attacq (Fin24 2021). The PIC happens to also be the second largest shareholder in the latter. Additionally, through its commercial property company Pareto, the GEPF is a direct investment partner in the Atterbury Group's European subsidiary based in the Netherlands.

In July 2023, the GEPF again concluded a transaction with Attacq to own 30% of the Attacq Waterfall Investment Company, thus becoming a joint "owner" of Waterfall City (Construction World 2023). Notably, business media coverage did not scrutinise the transaction that saw Attacq's share price soar in response to the impending transaction and a helpful reduction in the company's debts once it was concluded (Gernetzky 2023; Reuters 2023; West 2023). Waterfall City was, after all, according to Attacq, "a growth node, having attracted blue-chip firms including PwC, Deloitte, Cisco, Pfizer, Ericsson as well as Amazon Web Services" (Gernetzky 2023). These transactions and their coverage in business media are illustrative of how the GEPF's mainstream investment, mediated by the PIC, is not anomalous to financial logic and other return-driven pension funds (Sanfelici and Magnani 2022:75–77). It also points to how government workers' pensions are multifariously embedded in real estate financialisation in South Africa. First, the GEPF invests in listed real estate via the PIC's internally and externally managed investment in equities. Secondly, the GEPF allocates a percentage of direct, unlisted, investment to real estate also managed by the PIC. Thirdly, the GEPF directly owns a portfolio of buildings and a property company called Pareto. Finally, GEPF "impact" investments are made in "alternative" real estate through the PIC's Isibaya fund (PIC 2017).

As an asset manager in an investment company explained, because it is pegged to size and performance indices, the PIC has persistently directed its listed investment in property to South Africa's large listed REITS:

> ... if you have a good portfolio, and you're on the [Johannesburg Stock Exchange Share] Index and you're raising money—the PIC will have to follow because they're an index-tracker ... It would just be a normal process... (Interview, Partner in Investment Company, Johannesburg, April 2019)

As shown in Table 3, in 2020, the PIC, with government workers' pensions as its largest client, was the main shareholder in many of South Africa's listed real estate companies, most of which are primarily involved in commercial real estate. In 2022, the PIC continued to be the largest shareholder in the two largest REITs in South Africa, Growthpoint and Redefine.

Those within listed real estate view the PIC's shareholding as significant because of its "sheer size" (Interview, Former Head of Division in Listed Company Property, Cape Town, June 2019). Notably, many whose companies benefit from its shareholding rarely associate its investment with the state. It is described as

Table 3: Shareholding of the PIC in listed real estate in South Africa (Source: compiled by author, 2020)

Company	PIC Shareholding (% of total)	PIC Shareholder Rank
Growthpoint	15%	**1st**
Redefine	14.6%	**1st**
Hyprop	12.9%	**1st**
Vukile	13.4%	**1st**
SA Corporate Real Estate	20%	**1st**
Liberty Two Degrees	13.8%	**2nd**
Dipula	15%	**2nd**
Resilient REIT	10.1%	**2nd**
Attacq	9.14%	**2nd**
Investec Property	7.23%	**2nd**
Octodec (CityProp)	3.76%	**3rd**
Balwin	3.63%	**5th**

unobtrusive, providing capital "like any of the other asset managers who are the large asset managers" (Interview, Listed Company CEO, Johannesburg, May 2019):

> … I think they're fine shareholders, they're not overly involved, they would want board representation, but they're not … micro managers. (Interview, Former Head of Division in Listed Company Property, Cape Town, June 2019)

However, although not viewed as unobtrusive, the PIC has provided scaffolding to listed real estate, subscribing to shares and contributing capital that assisted some real estate funds in their listing ambitions and expansion in the 2000s. One former asset manager in the PIC recalled Growthpoint, SA Corporate, CBS, Texton, and Spearhead being among the real estate funds that benefitted from the PIC subscribing to its shares in definitive moments:

> So, when a fund was looking for capital to invest, the PIC would generally support or subscribe for the shares—I think the PIC, at the time, then, was probably instrumental in growing the listed property sector, because they needed it to invest, and they kind of supported most of the listed funds … I wouldn't say it was only the PIC, but I think the PIC was a large component of it, a significant component of it. (Interview, Former Manager in PIC Property, Johannesburg, June 2019)

A transaction which elucidates the contribution of government workers' pension funds to growing listed real estate is the PIC's purchase of a 5% shareholding in the white-owned listed property fund, Spearhead. Although the R25 million investment in 2005 was viewed as a negligible amount within the PIC, it had far-reaching impacts for the emergent fund. As one former asset manager in the PIC explained, subscribing to Spearhead shares "underpinned a series of transactions which then took them to … where they wanted to be" (Interview, Former Manager in PIC Property, Johannesburg, June 2019). The Spearhead deal occurred in a period where listed real estate funds were seeking to increase their number of black shareholders, following the national government's adoption of black economic empowerment legislation in 2003. This legislation set minimum mandates and a point-system for black-ownership and employment in South African private businesses. The PIC representing government employees' pensions was counted as a black-held capital investor (eProperty News 2005). In a deal with Spearhead, the PIC was one of three "empowerment partners" who increased Spearhead's black shareholding to 25% (eProperty News 2005). At the time of the PIC's investment, Spearhead was in the process of undertaking large retail and industrial projects in the province of the Western Cape (eProperty News 2004). Two years later, Spearhead's bolstered property portfolio was subsumed by the listed real estate behemoth Redefine (Muller 2007b).

Another illustrative purchase by the PIC was of the property company CBS.[3] The PIC's lucrative offer for CBS,[4] dominated by a portfolio of high-end office buildings (eProperty News 2006), outmanoeuvred offers by Redefine (Muller 2007b). The purchase and delisting of CBS raised the PIC's property holdings to be on par with that of South Africa's dominant life insurance companies (Muller 2007a). In an article in July 2007 entitled "PIC's Property Play" in the

South African financial magazine *FinWeek*, the head of PIC's property investments explained the CBS purchase as part of a strategy to upscale the fund's property ownership and investment (Muller 2007a). The PIC aimed to "grow its property portfolio at least six-fold over the next five years" and increase its ownership of South Africa's listed property sector by 10% in a year and a half (Muller 2007a). The PIC began to make significant moves in that direction in 2007, effecting deals that led to a 30% stake in the SA Corporate Real Estate Fund and an increase in its shareholding in listed property companies by R800 million (Muller 2007a). This expansive investment was also articulated by leadership in the PIC as an attempt to "shake-up" South Africa's property sector to "outmanoeuvre many of the traditional players" (Muller 2007a). In addition to empowerment deals with white-owned real estate funds and companies, the PIC also took on "a substantial shareholding in black-owned and black-managed listed property companies, such as Rebosis, Dipula and Delta" (PIC 2016:28).

Historically white-owned insurance companies, like Liberty and Old Mutual, and white-helmed private development companies, sold the growth-oriented PIC sizeable real estate portfolios. The unlisted property company Zenprop, which expanded its operations to the UK and Germany, sold 50 office and light industrial properties to the GEPF for R5 billion in 2008 (Competition Tribunal 2008; Interview, Former Manager in PIC Property, Johannesburg, June 2019). With these purchases, the GEPF came to own 20% of recently built upmarket office space in the office node of Midrand,[5] and 16.2% of the newest office buildings in the corporate and financial hub of Sandton (Competition Tribunal 2008; SAPOA 2009).

Acting "like any other asset manager", the PIC has passively pegged its listed real estate shareholding on company size and revenues. This has manifest in significant shareholding in large and historically white-owned listed real estate funds, with their lineages reflecting racialised mining and financial capital accumulation. The PIC's status as a black shareholder, meanwhile, benefitted these companies' attempts to reflect a more diversified shareholder makeup. In 2016, the PIC had to reduce its 24% "overweight position in Growthpoint" (PIC 2016:28). Thus, rather than only benefitting a black elite and black capital interests in the post-apartheid period, as emphasised by Hendricks (2008) and Brown (2019), examining the PIC's real estate investments on behalf of the GEPF illustrate these benefits also accrued to a white elite and white capital accumulation. Further, the pension fund's post-apartheid impact investment and position as a black shareholder, alongside its late-apartheid establishment to protect apartheid's white civil servants, illustrates that it can be a channel to express "political will" and government policy (Thrower 2018). This relationship, however, is shown to be differentiated, non-linear, and shifting.

Alongside its investment in listed real estate, the PIC manages unlisted property investment for the GEPF through two primary avenues, first in directly-held properties, and second through unlisted companies (PIC 2020). As illustrated in Figure 2, almost all of the PIC's R47 billion-valued unlisted property portfolio is GEPF-owned (PIC 2020). The bulk of this is retail real estate (PIC 2020:78). As shown with the Deloitte headquarters, the GEPF also co-owns properties with some listed companies in which it is a shareholder. Two of South Africa's most

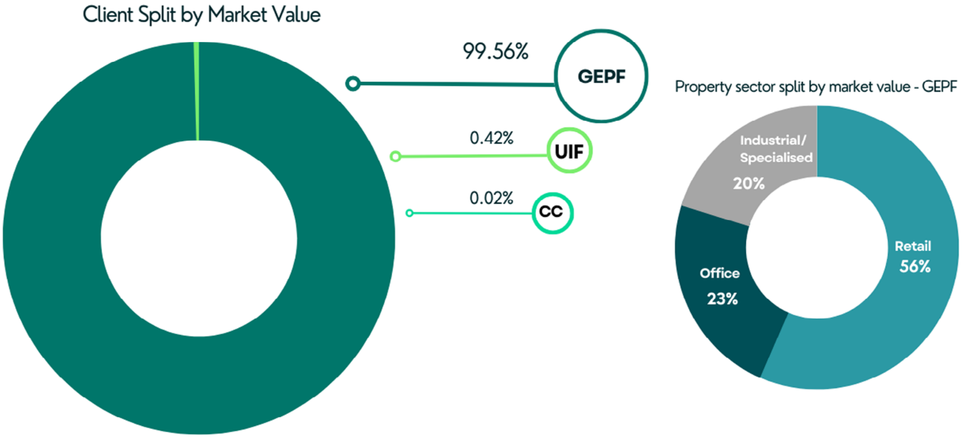

Figure 2: An overview of the PIC's Unlisted Properties Portfolio (adapted from PIC 2020:78)

valuable retail real estate developments, Sandton City and the Waterfront development, are co-owned by the GEPF with the listed companies Liberty Two Degrees and Growthpoint respectively.[6] In 2011, the PIC and Growthpoint each bought a 50% stake in the Waterfront development in Cape Town for R9.7 billion (Johns 2011). The purchase was described in the *Cape Argus* newspaper as, "South Africa's most expensive single property transaction to date" (Johns 2011). The Waterfront development is purported to be South Africa's most valuable real estate asset, valued at R20 billion—approximately US$1.2 billion (Green 2019). At the time of the purchase by the GEPF and Growthpoint in 2011, flags were raised by South Africa's Competition Tribunal, a legislated independent body adjudicating business competition matters. Although the purchase was given the go-ahead, the Tribunal's concerns related to the GEPF's co-ownership of other competing malls in Cape Town through its property company, Pareto (Competition Tribunal 2011). The GEPF purchased a 40% shareholding in Pareto in 2001, initially co-owning the company with the Eskom Pension and Provident Fund[7] (Pareto 2020b). Between 1998 and the early 2000s, Pareto consolidated itself as one of South Africa's largest players in retail real estate by entering into the joint ownership of some of the country's prominent urban malls (Pareto 2020b).

In what was dubbed one of the most significant post-apartheid property deals, Pareto acquired a 50% stake in the retail real estate "crown jewels"[8] of the behemoth life insurance company, Old Mutual (Interview, Owner of Property Investment Company, Johannesburg, April 2019). The deal unsettled the lily-white South African retail real estate circles—with the usual players feeling spited by their exclusion from the closed deal, which was occurring in the same way deals always happened in the industry, but now between two black executives (Interview, Owner of Property Investment Company, Johannesburg, April 2019). In adjudicating the transaction by Pareto, the Competition Tribunal noted it would have a 20.1% market share of regional shopping centres in the province of Gauteng, and 16.3% in the province of the Western Cape (Competition

Tribunal 2009). In Gauteng, Pareto's share of the market would equal that of South Africa's largest REIT, Growthpoint, and would be higher than that of South African life insurance company, Liberty. Together, the three companies owned 55.8% of regional malls in Gauteng, the country's most prosperous province (Competition Tribunal 2009). In addition to Pareto's "super-regional" and "regional" retail real estate, the PIC also directly manages a host of community and neighbourhood shopping centres on behalf of the GEPF, many of which are in historically black townships (PIC 2020:90).

As Competition Tribunal adjudications in the 2000s interrogated the expansiveness of real estate investment by the GEPF, concerns were also raised within the PIC about its converging and potentially conflicting investment. One former PIC employee recalls that in pursuing the GEPF's allocated target of 5% for unlisted real estate investment, "we were running into ourselves in the market" (Interview, Former Fund Manager in PIC, Johannesburg, March 2019). According to another former manager in the PIC, the amount of GEPF investment capital available is "too big" for the country's real estate sector. The scale and multiple avenues of the GEPF's involvement in commercial real estate as a shareholder and property owner spurred a "Chinese wall" (Interview, Former Manager in PIC Property, Johannesburg, June 2019) being instituted in the 2000s between the division involved in direct investments in property, and those investing in real estate on the stock exchange.

Today, Pareto is 76% owned by the GEPF (Pareto 2022). Alongside its portfolio of core shopping malls, depicted in Figure 3, the company owns its own property management company, Mowana (Pareto 2022). Additionally, as illustrated in Figure 4, in 2019 Pareto became a 25% shareholder in Atterbury Europe, the European development endeavour of the previously mentioned Atterbury Group (Atterbury Group 2015; Pareto 2020a). The total investment by Pareto in the latter is estimated to be 250 million Euros (Atterbury Europe 2019).

The Financialised Spatiality of the GEPF's Investment in Real Estate

In the year 2019, industry experts estimated that close to 90% of the capital raised by the listed real estate sector in South Africa was being directed outside of the country (Viruly 2019). In these overseas forays, a third of listed property companies had established a presence in Eastern Europe (Zondo 2019). Many of these companies had in the mid-2000s been buttressed by a PIC shareholding and GEPF investment. Growthpoint opened an Australian arm, Redefine, invested expansively in Poland[9], and Hyprop started an offshore joint venture company investing in Serbia, Macedonia, and Montenegro. As noted previously, Atterbury Europe opened malls in Cyprus, Romania, and Serbia. Many professionals in listed real estate argue that the overseas move is a response to South Africa's cumbersome and unreliable local government processes and political "interference" (Pillay Gonzalez 2022). There are, however, favourable financial factors that have also contributed to listed real estate's moves overseas:

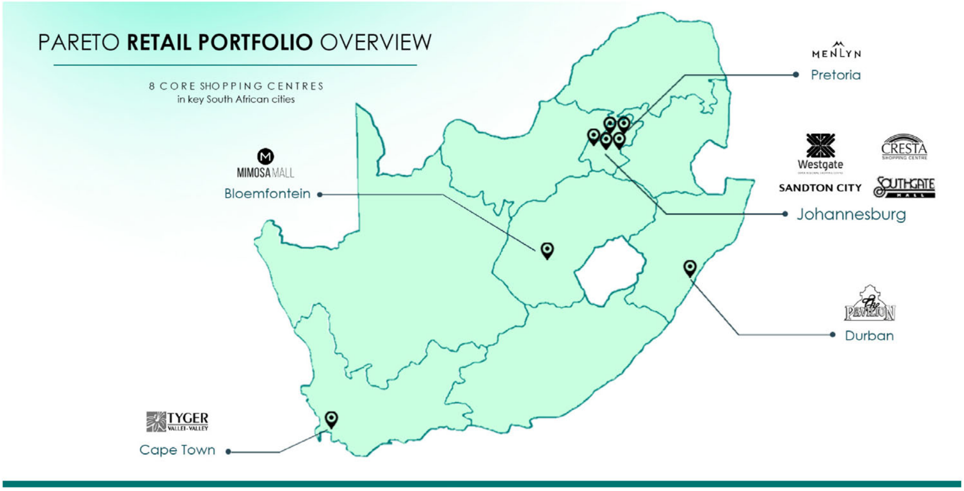

Figure 3: Core shopping centres owned by Pareto in South Africa (adapted from Pareto 2022)

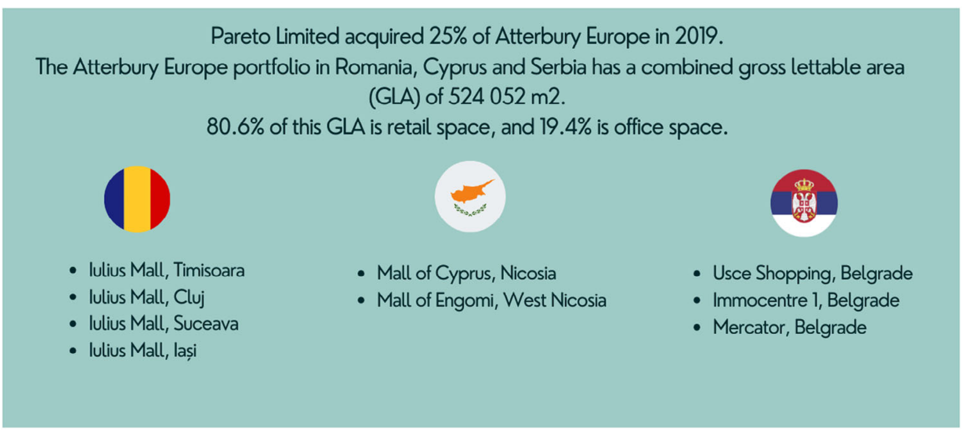

Figure 4: European retail portfolio co-owned by Pareto through Atterbury Europe (adapted from Pareto 2022)

> There's [a] funding argument that you can borrow cheap in Europe. You can borrow up to 3% and you've got a yield on your property leads to 8%, 9%. (Interview, Academic in Construction Economics, Cape Town, April 2019)

With their significant local capital gains from the boom years in the 2000s, large South African listed real estate companies were able to make Euro-based transactions. Capitalising on the depreciated rand, their European leases contributed significantly to listed companies' revenues and enabled them to access more Euro-based finance (Interview, Academic in Construction Economics, Cape Town, April 2019). A former division head in a listed real estate company, which itself had a presence in Eastern Europe, echoed that there was an attractiveness to leveraging the Euro: "from a financial engineering point of view it makes sense to go into

Eastern Europe" (Interview, Former Head of Division in Listed Company Property, Cape Town, June 2019). The move overseas also opened terrain for South African listed real estate companies beyond oversubscribed urban nodes in the country.

In 2019, it was estimated that 56% of new office development in South Africa was concentrated in three areas in Johannesburg—the middle-class business nodes of Sandton, Waterfall City, and Rosebank (Zondo 2019). Yet, from the mid-2010s, City of Johannesburg planners attempted to reorient toward spatial restructuring—empowered by the nationally-legislated Spatial Land Use Management Act (SPLUMA). One significant project initiated was to facilitate infill development along its Bus Rapid Transit (BRT) route in the underinvested working-class inner city and surrounding neighbourhoods. However, by not presenting the opportunities for scale, these areas and forms of development are overlooked by most listed real estate companies. As a director in Spatial Planning in the City of Johannesburg explained:

> ... a lot of the infill developments in the City, is actually about ... smaller projects ... smaller yields ... Does that interest Growthpoint? No. Not their space. They would rather wait it out and buy some land in the node, or just outside it. (Interview, Director in City of Johannesburg Spatial Planning, Johannesburg, February 2019)

Indirectly, GEPF shareholding has thus supported the spatial patterns of development associated with large listed real estate companies and their commercial real estate exploits. Relatedly, "short-term reporting objectives" (Luvhengo 2012) and pressures to invest abundant GEPF capital to achieve allocation targets meant PIC fund managers have directed unlisted investment at large real estate transactions. As a former PIC employee explained, "if we are going to do transactions, you've got to wake up and do the large transactions" (Interview, Former Manager in PIC Property, Johannesburg, June 2019).

Another former employee detailed how an investment threshold of R150 million meant that ideas to invest in "small business development centre[s], where you put small little factories in [historically black] townships", were abandoned (Interview, Former Fund Manager in PIC, Johannesburg, March 2019). As seen in Table 4, in 2019, there are also clear building size prerogatives for the PIC's unlisted property investments (Wahome 2019:36). Through the PIC's Isibaya fund, the GEPF has since the 2000s intentionally directed investment in historically black townships and rural areas to malls tenanted by large retailers (News24 2006).

While GEPF investment is concentrated in commercial unlisted real estate and listed real estate, affordable housing and student accommodation feature minimally as "impact" investing via the PIC's Isibaya fund. Much to the chagrin of upcoming, unconnected, or smaller black real estate developers, however, much of this "impact" debt financing and equity investment has been directed to large affordable housing investment funds[10] and connected black businesspeople,[11] "elite guys" (Interview, Property Development Manager, Johannesburg, June 2019) who know "how to get in front of the right people" (Interview, Entrepreneur in Residential Housing Development, Johannesburg, March 2019). Alongside these patterns when it comes to impact investing, questions are raised by many

Table 4: Minimum criteria for investments into unlisted properties by the PIC (adapted from PIC Inquiry Workshop Report [Wahome 2019:36])

Retail centres	▪ Assets measuring a minimum of 10,000 m^2 ▪ At least 70% national tenants' representation ▪ Preference given to townships and other under-developed areas
Office buildings	▪ Assets measuring 5,000 m^2 and more ▪ Avoid multi-tenanted buildings unless it is government department or agencies ▪ Preference given to government and SOCs ▪ 60% pre-let
Industrial buildings	▪ Assets measuring at least 3,000 m^2 or more in developing nodes and/or industrial parks ▪ Avoid multi-tenanted buildings ▪ 100% pre-let
Specialised buildings	▪ Minimum investment size of approximately R100 million ▪ Direct investment or into a fund

black real estate practitioners about the PIC being "there to drive transformation"—with their primary mandate to "maximise returns on behalf of government" (Interview, Former CEO of Black Real Estate Association, Johannesburg, May 2019).

> … the pursuit of financial returns trumps other considerations. So I think that is a real pressure right? The bottom line is that they have to meet whatever the GEPF return expectations are. (Interview, Former Manager in PIC Property, Johannesburg, June 2019)

GEPF investment thus reflect a less-than-linear relationship with City of Johannesburg and national government policy objectives to spatially restructure post-apartheid cities. The GEPF's role in national government's black economic empowerment, meanwhile, has benefitted a few corporations and businesspeople. Although not contradicting a trickle-down "transformation" policy aimed at the upper and middle class (Alexander 2007), the GEPF is shown to have buoyed both black *and* white capital in real estate. Allocating commercial real estate investment to large players and large transactions in urban nodes is not anomalous to the size, return expectations and strategic allocations of the GEPF—which the PIC responds to. This echoes other return-driven pension funds that "strongly favour majority control of complex, large-scale projects such as shopping centres and office blocks…" (Sanfelici and Magnani 2022:75–77), where even impact investment in underserved markets is "cherry-picked" and clustered in urban nodes to fulfil size and revenue-imperatives (Hebb and Sharma 2014).

Conclusion: Making Visible the Role of Public Pension Funds in Real Estate Financialisation

Analysing real estate offers a window to understanding how the Government Employees Pension Fund is embedded in financialisation in South Africa. This article illustrates how GEPF investment supported the growth and consolidation of post-apartheid listed real estate, and today constitutes a significant shareholding in the latter. The GEPF controls one of South Africa's largest commercial property companies and composed a portfolio of some of the country's most valuable developments. The post-apartheid public pension fund thus contributes to global critical scholarship by outlining another of the multiple and hybridised ways in which the state-beyond-government is enmeshed with real estate financialisation (Adisson and Halbert 2022; Belotti 2023; Feng et al. 2022; Haila 2015; Wu 2023; Yeşilbağ 2020). The pension fund also expands this scholarship by foregrounding how financialisation is tied to racialised capital accumulation, and in the South African context, it reflects the limits of post-apartheid attempts at redress by the state (Alexander 1979, 2007; Hendricks 2008). This is shown to have concentrated capital in the hands of a few—black and white—and manifests spatially in developing commercial real estate concentrated in particular urban nodes. The GEPF thus widens the optics of financialisation (Christophers 2015).

More pertinently, this article argues that the GEPF offers insight into how financial markets are part of the governance infrastructure of states (Braun and Gabor 2020; Christophers 2022). In explaining the US state's multifaceted intervention to stabilise the country's housing market, Christophers (2022:148) argued that it is increasingly through financial markets that states pursue "certain important policy objectives". The story of the GEPF in post-apartheid South Africa stretches Christophers (2022) argument. Policy objectives are pursued through financial markets, but financial markets are also used to enable and sustain state pension systems.

The GEPF is the bedrock of the post-apartheid government workers' pension system formed strategically during the late-apartheid period—an example of how the "rationale of financialization is internalised" within the state (Wu 2023:52). Its post-apartheid investment pathway shows, however, that state financial instruments can have tenuous and shifting relations to government policy, social interests, and political will. While others suggest otherwise (Belotti 2023; Thrower 2018; Wijburg 2019), this article argues that this ambiguity does not undermine the GEPF's "state-ness". The GEPF's mainstream investment has been directed at large deals, large players, and impact at scale. Its comparatively smaller and "impact" investment, meanwhile, has been cherry-picked: malls in historically black townships, large "affordable" housing players, and funding businesspeople connected to shifting political tides. Mediated by the PIC that acts like "any other asset manager", the GEPF's dominant investment patterns are like other large pension funds (Hebb and Sharma 2014; Sanfelici and Magnani 2022).

An entity like the GEPF is not immediately *seen* as the state in critical scholarship, and even by directors of listed funds, because of its dominant financial logic and opaque relationship to that considered emblematic of the state—policy, politics, and social interests. It is latent state infrastructure. Jessop (2016:47) reminds us: "Statecraft is not confined, then, to the exercise of sovereign power. It extends to the practices that distinguish the political from various nonpolitical spheres and, on this basis, to the complex art of governing activities that straddle these divides". Public pension funds like the GEPF deepen our understanding of how states are entangled with financial markets—and relatedly may provide future insight into why states stabilise financial markets in moments of crisis (Christophers 2022). As the principal executive officer of the GEPF stated candidly in a media briefing in November 2022, "We are committed to the local economy. If it fails, the fund also fails. That is our current reality" (Brown 2022).

At the same time, it would be misguided to suggest that the GEPF is emblematic of a South African state that is wholly financialising real estate. As shown in other scholarship on the built environment, the South African state relates to land and real estate in realms outside of financialisation (see e.g. Ballard and Harrison 2020; Butcher 2016, 2018; Huchzermeyer 2009; Todes and Robinson 2020). The GEPF exists alongside multifarious state relations to a spectrum of real estate (Pillay Gonzalez 2022). Thus, the South Africa state is not smoothly generalisable as *overarchingly* aiding "the financialisation of the city" (Aalbers 2023). This reminds us that financialisation is present and impactful, but it is not everything (Christophers 2015).

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Data Availability Statement

The data that support the findings of this study are available on request from the corresponding author. The data are not publicly available due to privacy or ethical restrictions.

Endnotes

[1] These included senior urban planners in the City of Johannesburg municipality, heads of real estate associations, former employees in the PIC, commercial real estate stalwarts, heads of commercial real estate companies, consultants, senior financial service professionals, entrepreneurs, and investors.

[2] Fully-funded pension schemes are premised on generating savings by investing in financial assets (Barr and Diamond 2006). They have sufficient reserves to pay for all current and outstanding beneficiaries. PAYG schemes, in contrast, use contributions from current income provided by the working population to pay pensions (Barr and Diamond 2006; Hendricks 2008).

[3] A CBS co-founder was later implicated in commercialising a property that had been set aside for social housing in Cape Town while working as an advisee for the Democratic Alliance-led Western Cape Provincial Government.

[4] The PIC had been a shareholder in CBS from when it initially listed in 2005 (eProperty News 2007).

[5] Midrand is an area to the north of Johannesburg that experienced rapid real estate development post-apartheid.

[6] Pareto co-owns Sandton City in Johannesburg and the GEPF is a joint owner in the company owning Waterfront Development in Cape Town.

[7] The EPPF is the pension fund of South Africa's state-owned electricity company, the second largest pension fund in South Africa behind the GEPF.

[8] Menlyn and Cavendish Mall, in Pretoria and Cape Town.

[9] In March 2022, Redefine was due to takeover and delist "Poland's largest retail landlord" (Redefine 2022).
[10] These include the South African Workforce Fund by International Housing Solutions and Old Mutual's Housing Impact Fund of South Africa (HIFSA).
[11] One businessman, associated with an investment deal in SA Homeloans was linked to other Isibaya investments including in his affordable housing company (Commission of Inquiry 2020:24; PIC 2017).

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