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Financialization beyond partnerships: Real estate investment trusts in elderly care

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Abstract

The financial services sector plays an increasing role in the public management of social services. Yet, in contrast to well-studied arrangements such as public–private partner- ships and social impact bonds, the ways in which the public sector drives financialization beyond these partnerships remain underexplored. We study the involvement of the financial industry in providing real estate for public services. Our case involves real estate investment trust (REIT) engagement with elderly care in Flanders, Belgium. We analyzed 68 annual reports by REITs and conducted 43 semi-structured interviews with key stakeholders. We show that the participation of REITs in social services is increasing significantly. Public governance mechanisms are fueling this form of financia- lization rather than slowing it down. The result is a form of state-led financialization with little critical scrutiny.

Points for practitioners

As aging populations increase demand for elderly care services and government budgets remain tight, practitioners will face critical decisions about financing and service provi- sion. Public sector managers should recognize the growing role of financial actors, such as REITs, in social services and the influence public sector (in)action can have in driving this shift.

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Introduction

Over the last few decades, neoliberal strategies have led governments to rely on capital markets for infrastructure investments instead of direct financing from the public purse (Delmon, 2021; Stafford et al., 2022). Yet, while partnerships with financial industry actors have been well studied, particularly in the context of public–private partnerships (PPPs), the governance mechanisms that engage financial corporations in infrastructure investment without forming partnerships are less understood. These initiatives stand out for the government's singular focus on channeling capital into real estate, unlike the varied goals of design–build–finance–maintain collaborations.

Specifically, welfare states incentivized financial entities to invest in the properties that house social services. In response to the demand for significant infrastructure expansion, real estate investment trusts (REITs) emerged as key players (Aveline-Dubach, 2022; Bernt et al., 2017). Real estate investment trusts act as investment vehicles, pooling funds from private and institutional investors to buy, restructure and manage portfolios of income-producing properties (Aveline-Dubach, 2016). They connect the capital of global networks of investors with local investments in property.

Few studies in public management have examined this emerging type of financial industry involvement. The extent to which REITs invest in social services infrastructure and the role of governments in facilitating these investments remains unclear. This is especially true in social services, where financial investments in infrastructure are increasing in, amongst others, nursing homes (August, 2022; Aveline-Dubach, 2022; Braun et al., 2023), social housing (Goulding, 2024) and childcare centers (Gallagher, 2022).

This article studies REIT involvement in social infrastructure and the public governance mechanisms that drive this understudied form of financialization. The study draws on an in-depth analysis of 68 annual financial reports by REITs and 43 interviews with stakeholders in the elderly care sector in Flanders, Belgium—a sector that has experienced significant REIT engagement in recent decades. The study quantitatively assesses how REIT participation in the sector has evolved and qualitatively outlines the public governance mechanisms that have facilitated this engagement.

The article offers two main contributions. First, the results provide empirical insight into the size and scope of REIT investments in social services, knowledge that is currently lacking. Second, by showing the interplay between government action and REIT involvement, we showcase the governance mechanisms that may drive the expansion of such financial corporations in social services. The study adds to the research that has linked financialization studies with public management themes. We start by examining the literature on financialization and the interactions between the public and private sectors. Following this, we outline our data and methodology, after which we present the results and engage in a discussion about the implications.

The financialization of public–private interaction

Financialization and the role of the state

Real estate investment trusts are a case of "financialization" (Bernt et al., 2017). Financialization refers to the "increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies" (Epstein, 2005). Financialization has become a prominent theme among an interdisciplinary group of researchers for its value in understanding contemporary societal dynamics (van der Zwan, 2014). While globalization debates since the 1990s noted the increasing mobility of financial capital as a key feature of cross-border interconnectedness, the concept of financialization offers a more detailed research focus on the causes and consequences of the prominence of the financial services industry. The concept of financialization also provides a new perspective on more recent phenomena, such as the proliferation of financial engineering as a means of profit generation, the increasing intrusion of financial logic into people's lives and the dominance of asset management firms since the early 2000s. The concept helps us understand how the growing predominance of the financial industry and its narratives has led to a structural transformation of economies, businesses, households and governments (Aalbers, 2019).

Early studies of financialization often overlooked the role of the state, depicting it as a passive entity in a zero-sum game where the rise of finance implied a decline in state influence (Krippner, 2011; Wang, 2020). Recent research by political economists and sociologists reveals a more complex symbiosis between state and finance (Aalbers, 2023; Mader et al., 2020). Rather than viewing states as monoliths gradually replaced or pushed away by financial markets, states are increasingly seen as ensembles of organizations that interact with the inner workings of finance in more diverse ways (Aalbers, 2023; Wang, 2020). The victimhood hypothesis, where the state is replaced or pushed aside by an increasingly powerful financial industry, is nuanced by recognizing the active role public managers may play in financialization processes, a theory known as *state-led financialization* (Deruytter and Möller, 2020; Pagliari and Young, 2020; Wang, 2020).

Instances of state-led financialization are evident in the financialization of "alternative asset classes" like infrastructure and housing. Here, research indicates public policies actively *facilitate* the integration of global finance with local assets (Alexandri, 2022; August and Walks, 2018; O'Brien and Pike, 2017). In a case study on the acquisition of Brussels Airport by Macquarie Bank, Deruytter and Derudder (2019) detail, for instance, the role of the Belgian state in facilitating and deepening financialization through the adoption of financial market instruments and logics. This ultimately led to two previously distinct worlds—the state with its history of coordinated infrastructure on the one hand and asset management funds on the other—being now indistinctly intertwined (Deruytter and Derudder, 2019). Similar courses of action are observed at the local level. Studying infrastructure leases by the city of Chicago, Ashton et al. (2016) point to the local mechanisms that integrate global financial markets with urban-scale change. The studies exemplify the shifting focus in financialization literature from

broad global market movements to local generative processes and the role state actors play (Peck and Whiteside, 2016).

However, the role of the state extends beyond facilitating the expansion of financial markets into previously untouched sectors of society. Recent scholarship indicates that states very much *participated* in these financial markets as well. Evidence lies in the increasing financial engineering involved in fiscal policymaking and the further marketization of sovereign debt management (Fastenrath et al., 2017; Pagliari and Young, 2020; Trampusch, 2019). At the local level, the interventionist stance taken by city governments in coupling public housing to global financial markets (Beswick and Penny, 2018), the creation of municipal bond markets (Deruytter and Möller, 2020) and the adoption of Tax Increment Finance formats (Adisson and Halbert, 2022; Wang, 2020) serve as examples of state actors joining financial markets (Aalbers, 2023).

Ultimately, this interplay with financial markets and the growing influence of their logic and instruments in state activities transform the state itself, a process referred to by various authors as "state financialization" (Karwowski, 2019; Pagliari and Young, 2020; Schwan et al., 2021). A lasting political–economic condition of permanent austerity pushes states to "turn its *things* into financial assets" through capital market instruments (Adisson and Halbert, 2022), embedding a derivative logic into the design of state intervention (Bryan and Rafferty, 2014). States increasingly deepen secondary markets for public debt while turning sectors such as social infrastructure, pension provision and physical infrastructure into a basis for financial assets (Karwowski, 2019). The financialized state adopts a new governance mode that instrumentalizes the financial industry to escape fiscal or political crises and create new possibilities for the state (Aalbers, 2023; Feng et al., 2022; Pagliari and Young, 2020). The linkage between financial markets and public governance introduced a range of new organizations, techniques and ideas that do not merely supplement the functioning of the state but are being stitched into its very fabric (Wang, 2020). As Feng et al. (2022) argue in their analysis of urban development financing by the Shanghai local government, states may *shape* but also *be shaped* by financial markets as they grow dependent on their resources and logic.

Financialization through real estate investment trusts

Within public management, research on financialization has predominantly been concentrated on public–private partnerships (PPPs). This well-established field outlines how, since the 1970s, governments have used market instruments to tackle a wide array of policy challenges, exploring the roles of financial actors and strategies within these partnerships (Willems et al., 2017). Leveraging private capital is seen as a primary benefit of using PPPs. Public–private partnerships often involve a deep engagement of financial entities, such as banks, investment funds and insurance companies (Willems and Van Dooren, 2016). Recently, Stafford et al. (2022) explicitly linked financialization to PPPs, asserting that it has always been central to their evolution and proliferation. Secondly, financialization is emphasized in the literature on social impact bonds—a new form of PPP (Demuynck and Van Dooren, 2023; Warner, 2013). Social impact bonds are purposefully crafted to meld social policy with financial markets (Joy and

Shields, 2018). A calculative approach is applied to the delivery of public services, breaking down state services into tradable derivatives (Bryan and Rafferty, 2014; Chiapello and Knoll, 2020) and transforming the needs of service users into sources of revenue (Sinclair et al., 2021). As such, traditional PPPs are changing "to respond to the needs of finance-dominated capitalism" (Lavinas, 2018).

Real estate investment trusts are a less-explored aspect of financialization in public management, perhaps because of their less visible connection to the public sector. REITs are typically publicly traded corporations that must (1) invest most assets in real estate, (2) generate significant income from property-related activities and (3) distribute a substantial portion of profits—often over 90%—to shareholders as dividends. In exchange, they receive considerable tax benefits (Högerman, 2020). Real estate investment trusts connect global financial markets with domestic real estate markets, enabling substantial capital flow to local infrastructure (Figure 1). Tax exemptions and favorable social policies have driven REIT growth since the early 2000s, diversifying their property portfolios across sectors. Currently, over 40 countries have enacted laws to establish the REIT corporate structure (Aalbers et al., 2023).

Public governance mechanisms behind REIT financialization in social services

In social services, REITs lease infrastructure to service providers. In addition to social housing (Goulding, 2024) and daycare centers (Gallagher, 2022), REITs have shown significant interest in elderly care services. Case studies in the US (Harrington et al., 2011), Canada (August, 2022) and the UK (Horton, 2021, 2022) place REITs at the center of a cross-national business model that restructures elderly housing into predictable income streams. While REITs are generally regarded as a global phenomenon, with firms implementing similar models across various countries, a comparative study of healthcare REITs in France, the UK and Japan highlights disparities in investment levels (Aveline-Dubach, 2016). The uneven geography of REIT involvement suggests that national and

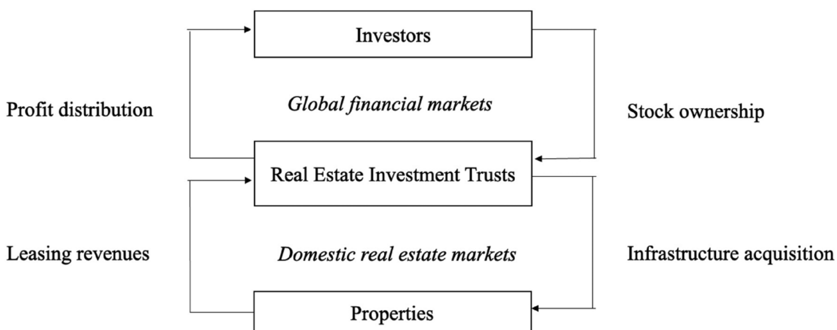

Figure 1. The real estate investment trust (REIT) as liaison between global financial markets and local real estate developments.

local factors play a role in attracting or resisting investment (Aveline-Dubach, 2016; O'Brien and Pike, 2017). However, the extent to which public actions contribute to REIT investment remains largely unknown.

We seek to understand better how public governance mechanisms drive the financialization of these social services sectors. *Governance* is a broad concept that includes "all processes of social organization and social coordination" regardless of whether these involve state control or oversight (Bevir, 2012). *Public governance* can then be defined as state and non-state actors acting collectively to achieve public policy objectives (Massey and Johnston-Miller, 2016). *Public governance mechanisms* are collections of actions working together toward public policy objectives. This concept enables the capture of a wider array of activities compared to a strict focus on government. For instance, Blessing and Gilmour (2011) find that tax credit schemes in Australia and the US effectively replace direct public funding in social housing with incentives for institutional investors, framing these credits as a form of indirect government intervention. Rather than seeing financial market investments as a bypass of government involvement, the policy objective and tools employed allow us to see this "invisible hand" of government as part of public governance (Blessing and Gilmour, 2011; O'Brien and Pike, 2017).

The question of how governments contribute to these non-partnership forms of financialization is important, as institutional investment creates tensions in social service delivery. The impact of private equity (PE) funds has been most studied. In elderly care, the link between PE ownership and service quality received a lot of scrutiny over the last two decades. Recent research shows the risks associated with the emphasis on short-term profit in these firms. Gupta et al. (2021) make this tragically clear in their analysis of the US nursing home market: PE ownership was estimated to have increased the short-term mortality of Medicare patients by 10%, while taxpayer spending per patient episode increased by 11%. Moreover, even though the public interest is evident when large parts of subsidized service sectors are controlled by financialized chains, funds like PE introduce a lack of transparency and accountability to nursing home chains. This makes public scrutiny of their practices notoriously difficult (Burns et al., 2016). The primary argument in the literature against both PE and REIT ownership is that the business model overlooks the importance of embedded relationships and responsiveness to embodied needs. These corporations aim for large, uniform "hotel-style" nursing homes that are cheaper to build and easier to manage and sell (Horton, 2021). Despite the tensions they create, the mechanisms linking service provision to broader global financial transformations remain opaque (Ashton et al., 2016).

Case, data and methodology

To understand REIT involvement in social infrastructure and the public governance mechanisms driving it, we focus on a detailed study of REIT investment in the Flemish elderly care sector. Before discussing the data and methodology, we provide an overview of our case study.

Case: the mixed market of elderly care in Flanders, Belgium

Owing to the increase in life expectancy, regulating and steering the elderly care sector has become a central concern in Belgian and Flemish policymaking. The Flemish government and the French community government are responsible for regulating elderly care facilities. Nursing home financing relies on Flemish subsidies and resident contributions, each covering about half of the costs. The Flemish administration inspects the quality of care in these facilities, oversees financial stability and regulates prices to ensure affordability (Van Dooren and Jilke, 2024).

The 823 care homes in Flanders are roughly equally shared among the three predominant modes of governance in healthcare delivery: public, non-profit and for-profit. First, public governance is in the hands of the local governments that have owned and operated nursing homes since the Second World War. The second mode of governance comprises non-profit care homes, often rooted in religious congregations and charitable organizations. The third category includes for-profit providers, which emerged after a 1985 decree allowed private actors to participate in the sector. In addition to the nursing homes, there are 976 groups of assisted-living units, i.e. private apartments that are adapted to the needs of the elderly and come with some degree of at-home care. They are overseen by the Flemish government.

The paper studies the involvement of REITs in the elderly care market. The introduction of REITs on the Belgian market dates to 1995, when a federal government decree introduced the concept of “real estate investment companies with fixed capital” (“vastgoedbeleggingsvennootschap met vast kapitaal”/“société d’investissements à capital fixe immobiliers”), modeled after international REIT examples. The Flemish elderly care sector provides an ideal setting to examine REIT involvement in social policy and public governance for two main reasons. First, investors view the Flemish elderly care market as “mature”, indicating that capital investment is well established, providing rich opportunities to study the phenomenon. Second, the Flemish case represents a “least likely” scenario for state-led financialization of social services because of its protectionist service provision model. The Belgian and Flemish governments exercise strict control over who participates in elderly care provision and restrict permits for nursing homes based on demographic projections. Catholic non-profits have historically dominated the sector in the traditionally corporatist Belgian society. These highly influential organizations have resisted market forces and the accession of new players to the field.

Data and methodology

Our research methodology involves analyzing 68 annual reports of REITs and conducting 43 interviews. We first reviewed annual reports from all 16 Belgian REITs registered with the Financial Services and Markets Authority to identify those investing in elderly care residences. We systematically reviewed reports from 1995 to 2023, searching for terms related to nursing homes and assisted-living residences in Dutch, French and English. Three corporations with investments in nursing homes and/or assisted-living residences in Flanders were identified. From the 68 annual reports of these companies,

totaling 9486 pages, we constructed a dataset cataloging property investments for each year. This resulted in 7124 data points for 1097 distinct properties. We cross-matched our dataset with government datasets in Flanders to identify recognized nursing homes and assisted living units. We obtained the number of beds from REIT self-reports or government databases. For assisted-living units, we counted one bed per flat if capacity data were absent. Tracking the number of beds in REIT portfolios over the years enabled analysis of investment patterns in this sector.

Secondly, our study included 43 interviews conducted from April 2023 to March 2024 with key stakeholders in the Flemish nursing home sector. We interviewed a diverse group of respondents, ranging from government officials and inspection services to network organizations, service providers and investors (Table 1). Interviews lasted 54 min on average. We started off with a general narrative format in which respondents were asked to give their accounts of how the elderly care sector had changed during the period of their involvement, avoiding the introduction of preconceived notions or leading questions that might impose biases on the responses. The first part, as such, gave us an insight into both the place of financial sector involvement in the bigger picture of sectoral change and its relative weight in the minds of participants compared with other evolutions. Secondly, more in-depth questions were asked regarding the role of REITs in the sector over time, and how REIT involvement interplayed with governance by the Flemish administration. Interview analysis was conducted in different stages. For the analysis of our data, we first transcribed the interviews verbatim. Secondly, data were coded in the NVivo software using an inductive approach. Descriptive labels were first applied to the data, followed by a subsequent phase where overarching themes were identified.

Results

The analysis of investments reveals a significant increase in REIT ownership in the Flemish elderly care sector. From 1997 to 2023, REIT portfolios in elderly care expanded from 0 to 12,608 beds (Figure 2) out of a total of 84,100 beds. Since adopting REITs into Belgian law in 1995, 16 corporations have registered as REITs. Three of these—Aedifica, Cofinimmo and Care Property Invest (formerly Serviceflats Invest)—have invested in elderly care properties that are overseen by the Flemish government. Serviceflats Invest initially focused on assisted-living units, growing from a lease of 46 flats in 1997 to 1988 units by 2015. From 2007, REITs also ventured into the nursing home sector, owning 114 nursing homes with 10,620 beds by 2023. On average, the number of Flemish nursing homes in REIT portfolios has doubled every three years. Aedifica (57 nursing homes) and Cofinimmo (44 nursing homes) lead in nursing home holdings, while Care Property Invest, with 13 nursing homes, plays a more minor role. Between 2007 and 2023, REIT ownership grew to represent 14% of the total market, mainly within the for-profit segment, where REITs account for 37% of nursing homes.

The underlying dynamics that led to the stark rise of REIT involvement become clear through the interview data. Respondents explain how the different waves of investments in the elderly care sector reflect a governance approach that uses capital markets to achieve public policy objectives.

Table 1. Overview of respondents.

1	Senior advisor	Network organization	22	Financial advisor	Network organization
2	(Ex-)cabinet member	Healthcare ministry	23	Board member	Care home group
3	Senior advisor	Network organization	24	Board member	Care home group
4	(Ex-)minister	Healthcare ministry	25	(Ex-)minister	Healthcare ministry
5	Policy advisor	Healthcare ministry	26	Director social profit	Trade union
6	CFO	REIT	27	Director social profit	Bank
7	Senior advisor	Network organization	28	(Ex-)cabinet member	Healthcare ministry
8	CEO	Network organization	29	Manager	Nursing home group
9	CEO	Network organization	30	Broker	Real estate broker
10	Civil servant	Care inspectorate	31	Politician	Health commission
11	Elderly care expert	Bank	32	Advisor elderly care	Political party
12	Elderly care expert	Bank	33	Consultant elderly care	Consultancy firm
13	Senior investor	Insurance	34	Director elderly care	Trade union
14	Politician	Commission on health	35	(Ex-)minister	Healthcare ministry
15	Senior expert	Healthcare adm.	36	Senior economist	Bank
16	CEO	REIT	37	Director elderly care	Bank
17	Senior advisor	Network organization	38	Manager	Nursing home group
18	Senior investor	Healthcare real estate	39	(Ex-)minister	Healthcare ministry
19	Elderly care expert	Bank	40	(Ex-)cabinet member	Healthcare ministry
20	Politician	Commission on health	42	Unit manager	Care inspectorate
21	Civil servant	Care inspectorate	43	Board member	Care home group

The starting point for this turn to finance lies in the early 1990s, when the Flemish government was confronted with projections that highlighted the imminent strain on healthcare resources owing to an increase in age-related conditions like Alzheimer's and the enlarged need for elderly care in general. The demographic shift underscored the urgent need for a significant expansion of long-term care facilities. As a promising solution, assisted living units rose in policy circles to the top of the agenda. This hybrid

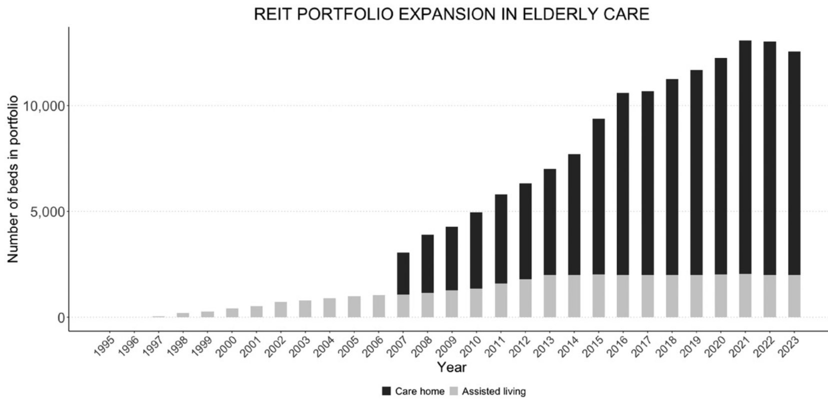

Figure 2. The change in real estate investment trust (REIT) portfolio holdings of elderly care infrastructure in Flanders.

residential model offers adapted apartments for seniors who cannot live independently, allowing for regular at-home assistance without round-the-clock care. Policy-wise, they form the transitionary liaison between independent living and nursing homes. Assisted living units were seen as vital in alleviating some of the pressure on nursing homes as admission can be delayed, and policymakers deemed an investment program to get them built a priority. Yet the government grappled with the question of whether public budgets alone could shoulder the massive investment required for sector expansion and whether they even should.

Respondents describe how not long after the federal government wrote the REIT into law in 1995, the Flemish government recognized the opportunity for the elderly care domain. Mere months following the introduction of the REIT regime in Belgium, a REIT called Serviceflats Invest was established on the initiative of the Flemish government, with a mission to finance and construct assisted-living units. The public could buy shares in the corporation, granting the option to move into one of the built units once the shareholder felt the need to do so. The REIT was statutorily obliged to use the raised capital to build assisted-living units and lease them to care organizations. The thought process for looking toward REITs rather than relying on alternative modes of delivery such as direct subsidies or PPPs is detailed by the then Flemish Minister of Welfare:

> First and foremost, we did not have the money. … and then we sat around the table several times with specialists, including from the banking sector. Since I was also finance and budget Minister at the time, I had good contacts with the banking sector, didn't I? And so, then we said, well, can't we invent something that doesn't impact the budget and where we can activate capital that is there? … As [the prime minister and deputy prime minster] wanted to turn Brussels into a financial center, they were allies for my idea. … It was an idea of a few people in my cabinet, the financial sector, and the administration. (Respondent 39)

The establishment of the REIT marked a joint initiative between the government and the financial sector, with a particularly dichotomous set-up. On the one hand, it was characterized by the lack of a formal partnership. As such, the investment program sharply contrasted with other efforts by the Flemish government that were envisioned for partnering with the private sector in social services, such as a large-scale DBFM for building schools. Instead, Serviceflats Invest was a private corporation without public shareholders. Despite its establishment for public objectives, the corporation did not have a governmental commissioner on its board, nor was any additional oversight formalized. When other stakeholders asked questions about where the REIT was heading, the Minister highlighted the corporation's complete autonomy as a private entity.

Yet, on the other hand, the Flemish and federal government built an entire regulatory framework around the REIT to spur its investments. The regime was crafted in consultation with the founding banks of Serviceflats Invest—Bacob, KB, ASLK, and Gemeentekrediet—and was fully tailored to give the REIT all opportunities to do business in the sector, stimulate investors to buy shares in the REIT, and make it attractive for organizations active in elderly care to work with the REIT. For the buyer of the shares, all dividends were exempted from withholding tax. Moreover, the heirs of the shareholder did not have to declare the investments in inheritance proceedings, making it an attractive choice for succession planning. Next to boost the supply of available capital, the government provided stimuli on the demand side as well. Public and non-profit associations that commissioned the REIT to build assisted-living units, often near existing nursing homes, could receive subsidies from the Flemish government and support for necessary infrastructure. Between 1995 and 2012, this initiative resulted in nearly 2000 assisted-living units.

Since 2007, some Belgian REITs have chosen to invest in the nursing home market. Notably, Cofinimmo and Aedifica reallocated significant investments from residential and office properties to elderly care. Additionally, Serviceflats Invest rebranded as Care Property Invest, broadening its focus to include nursing homes beyond assisted-living units, diverging from earlier statutory objectives. The timing of market entry is not coincidental. Instead, it reflects the significant need for finance in the sector coming from a changed reality in the Flemish nursing home market in the early 2000s. While for-profit nursing homes have existed since a 1985 Flemish decree, actual commercialization started in the early twenty-first century, necessitating financial resources for expansion. Traditional family-run nursing homes began to cluster and acquired competitors to achieve scale. However, for-profit nursing homes lacked access to the public funding available to non-profit and public counterparts, which relied on government subsidies for new constructions and renovations, a financial aid not extended to the for-profit sector.

Real estate investment trusts addressed the gap that was left. Respondents were clear about how the expansion of the for-profit nursing home market was financed: through a sale-and-lease-back operation with the three prominent REITs. Operators acquired competing providers, sold the buildings to the REITs, and subsequently leased them back. Triple net leases became the norm, assigning obligations for property taxes, insurance, and maintenance to operators. As such, a symbiotic relationship emerged in which

both parties saw benefits. Nursing home operators could finance new acquisitions with the capital freed up by transferring ownership of the building to the REITs, and the REITs consequently earned a high and steady income through leasing fees over a long period of time, often 27 years. Real estate investment trusts did for for-profit providers what subsidies did for public and non-profit providers: financing the expansion of the elderly care infrastructure. Real estate investment trusts entered the nursing home market mostly as a response to the gap left by the government. As one interviewee explains: “If you don’t subsidize, you know others will fill the gap” (respondent 35).

After the Flemish government took over full financial responsibility for the nursing homes from the federal government in 2014, the success of the three REITs in attracting funds to the sector continued to influence policy decisions. The interviews revealed that the Ministry engaged in discussions with sector federations to identify priority areas, as policy strategy became one of “containing the cost” (respondent 4). Although sector federations pushed for a more robust subsidy program for constructing and refurbishing nursing home facilities, the Health Ministry championed more financial support for operational costs and staffing, suggesting that real estate considerations should be left to the market forces. A high-ranking politician at the time showcases the belief in the REIT as a policy instrument:

> I was convinced that I should have more money for the daily operations, for the staff [of the nursing homes] … But the representative organization wanted something else. I had quite a firm discussion about it. Then, we came together with a group of people to address the issue. One of the conclusions was: those real estate companies have a very interesting fiscal status. We then had discussions with the then-minister … of the federal [level], and the regulations were adjusted, making room for a social real estate company. (Respondent 4)

The Flemish healthcare ministry collaborated with the federal government, which oversees economic policy, to relax capital requirements for real estate corporations investing in social services sectors. Starting in 2017, in addition to the fiscal benefits all REITs receive from being exempt from corporate income tax, those with portfolios comprising at least 60% healthcare real estate benefit from a reduced withholding tax on dividends to just 15%, compared with the usual rate of 30%. From 2022 on, 80% of the portfolios has to be in healthcare real estate to enjoy this fiscal benefit.

Discussion

The Flemish nursing home landscape has experienced significant financialization over the last 30 years. This section distills three public governance mechanisms from our data through which REIT financialization was fueled and links these mechanisms back to the debates on state-led financialization and the financialization of the state.

The first governance mechanism is one of *anchoring* financialization. In this mechanism, global financial markets are coupled to local social service goals. By structuring capital supply and linking it to demand in the social services sector, capital in this governance mechanism flows toward societal goals without direct government funding or

formal public–private partnerships. In our case, the mechanism is evident in the 1995–2012 assisted-living unit program. The federal government introduced REIT legislation, and the Flemish government ensured that all surrounding conditions were favorable for market investment in constructing assisted-living units on its territory. A territory for financialization is constructed by codifying financial instruments (here: the REIT) and shaping conditions for investment to land precisely where governments desire it to land (in our case, assisted-living units). As such, REIT financing became a key instrument for achieving housing and care for the Flemish elderly but was at the same time a world apart: there were no financial or legal ties, no oversight and no accountability required from REIT management. The result is a blurring of the line between state and finance, amounting to an ambivalent situation in which financial industry action is both functionally deeply ingrained in policy programs and formally far removed from it.

The second governance mechanism is one of *broadening* financialization, or more precisely, allowing broadening to happen. This mechanism expands the scope of financial industry investment into related social service areas. It is a more subtle but arguably equally powerful driver of social service financialization. As REITs established themselves in the assisted-living sector and began to explore the related nursing home market from 2007 on, the government's inaction in the nursing home sector —specifically, its decision not to subsidize infrastructure investments in for-profit nursing homes—implicitly endorsed REIT capital being used for expanding the elderly care sector. Previously, relying on market forces would be seen as marketization. However, since the early 2000s, with asset management corporations aggressively seeking new asset classes, government inaction has come to imply a tacit approval for intensifying financialization as well. The passive approach reveals the indirect ways in which the state can foster financialization: by leaving infrastructure funding needs unmet, the government effectively signals the financial industry to step in.

The third governance mechanism is one of *deepening* financialization. Once financial industry actors engage in social service sectors, investment levels are further increased to align with social service objectives. In our case, the "invisible hand" of government, as noted by Blessing and Gilmour (2011), manifests through targeted fiscal policy adjustments that further draw REIT capital into social care. Through withholding tax rates and the conditions attached to them, the government amplifies REIT involvement in these social services sectors. It is a final chapter in a story that aligns with the "permanent austerity" thinking described by Adisson and Halbert (2022): a social need arises, yet pressurized government budgets are deemed insufficient. Thus, a recourse is taken to financial market capital and techniques. As a result, REITs have solidified their position in the Flemish elderly care sector. Public governance mechanisms fuel this form of financialization rather than slowing it down.

Conclusion

Public management scholars have directed much of their attention toward formal partnerships that involve financial industry actors in social service provision, especially in the form of PPPs and social impact bonds. This article explored public governance

mechanisms driving the financialization in contexts where no such partnership ties finance and state together. We studied REITs that invest in the infrastructure of social services. From our case of REIT involvement in Flemish elderly care, we identified three different public governance mechanisms driving state-led financialization: anchoring, broadening and deepening.

From a public governance point of view, REIT involvement may seem attractive: private capital from global investors is directed toward the public purpose. At the same time, the dependence on REITs raises critical questions, not in the least concerning state capacity and risk. The strategy cultivates an ambivalent situation in which the state is both formally absent but functionally very much reliant on financial markets, which can push governments into a constant mode of managing financialization and its excesses, as evidenced in the literature on the financialization of infrastructure (Deruytter and Derudder, 2019).

In social services, the fragility of service recipients warrants caution. Governments relying on financial industry capital, even passively, may contribute to deconstructing fragile ecosystems built to care for those in need (August, 2022; Burns et al., 2016; Horton, 2021). A business model centered around the securitization of infrastructure entered the Flemish elderly care sector, mirroring examples elsewhere described by Harrington et al. (2011), Aveline-Dubach (2016), August (2022), and Horton (2021, 2022). For public governance, the short-term benefits of the financialized modus operandi can be outweighed by long-term risks and potential instabilities. Real estate investment trusts have injected substantial funds into the Flemish nursing home sector since the early 2000s, but the inherent nature of the sale-and-lease-back model implies that much more will be extracted over time. The fees stipulated in long-term leasing contracts not only put the quality of care provided by strained services providers at risk but equally undermine the budget-neutrality argument supporting a financialization-fueling government approach. Funds from heavily subsidized organizations flow to REIT shareholders instead of service beneficiaries, potentially compelling governments to increase subsidies for distressed service sectors.

This exploratory study highlights how governments leverage financial market capital in social policy governance, but its limitations must be acknowledged. The research is grounded in a specific geographic context. Real estate investment trusts are now globally active entities with similar strategies around the world, but government roles in social services vary from one region to another. Furthermore, depending primarily on annual financial reports and interview data does not clarify all causal relationships between government policies and REIT participation, presenting a valuable direction for future research. Nonetheless, the insights of the study should lead policymakers to caution. Real estate investment trusts have by now become dominant investors in nursing homes, childcare centers, rehabilitation clinics, and social housing across Europe, Eastern Asia, and the US. The position raises questions about market concentration, the potential for speculative investment behaviors, and implications for the accessibility and quality of care. Such concerns underscore the double-edged nature of financialization in public management, where the benefits of accessing private capital are counterbalanced by the need for stringent regulatory oversight to safeguard fragile social services sectors. Future research could extend this inquiry to further elucidate the complex dynamics of public sector engagement with capital markets and its feedback effect on public governance.

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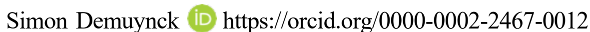
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