COMBATING FINANCIALIZATION OF HOUSING:
SCAN OF ANTI-SPECULATION LEGISLATION

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EXECUTIVE SUMMARY

In Canada's 2024 housing plan, one initiative intends to "confront the financialization of housing" to address its negative impacts (e.g., rising rents, evictions, housing quality), which have been detailed in research commissioned by the Office of the Federal Housing Advocate and in submissions to the Financialization Review panel. This brief seeks to inform policy discussions by outlining the de-financialized measures that other jurisdictions in North America, Australia and Europe have developed or proposed to curb the outsized impacts of corporate and financialized actors on renters and first-time homebuyers. Four distinct policy approaches (outlined below) have been adopted to address the increased presence of financialized entities in residential housing markets. Although these four approaches are composites of assorted and differing policy strategies, the unifying principle is to protect renters from powerful, predatory landlords and to create pathways, unimpeded by corporate actors, for potential buyers to become first-time homeowners.

Protecting and preserving existing affordable rental housing

This first policy approach consists of protecting and preserving existing affordable rental housing from being acquired by speculators and financial actors. Legislators achieve this through tax reform, imposing fees, creating property purchase stipulations, and creating an affordable housing fund.

Self-occupancy requirements and penalties for vacant units

A second approach focuses on regulating vacant rental units and imposing owner-occupancy requirements.

Regulating short-term rentals

A third approach aims to regulate short-term rentals and increase local rental housing supply. Policymakers have banned the formation of new short-term rental units and have moved to restore short-term rental units to the long-term rental market.

Rent regulation and limiting profit margins (i.e., de-incentivizing speculative and profiteering activity)

The final approach aims to regulate rent and limit profit margins for potential property speculators. Some measures include rent protection designations for local municipal areas, rent caps, and imposing taxes on high-turnover properties.

The scan revealed that the issue of first-time homebuyers was the focus for legislators in many jurisdictions. However, moving towards a more just and equitable housing system requires a combination of anti-speculation policy measures and increased efforts to protect tenants and preserve existing affordable rental housing stock. To achieve this in Ontario, an important step is to strengthen rent control and reinstate vacancy control. Other steps include notification requirements and establishing rental registries, addressing data gaps in ownership and rental data, and ensuring that public subsidies are not used by predatory landlords.

IMPACTS OF FINANCIALIZATION ON RENTAL HOUSING

According to Martine August (2022: p. 18): “The financialization of housing refers to the growing dominance of financial actors in the housing sector, which is transforming the primary function of housing from a place to live into a financial asset and tool for investor profits.” In other words, housing is seen as a commodity and a vehicle for profit-maximization rather than as a home – a place of shelter. When this happens, the exchange value of housing is prioritized over its use value, which serves to undermine tenants’ rights to decent and affordable housing, as financial firms (e.g., private equity, real estate investment trusts (REITS), asset managers) engage in profit-making strategies that involve extracting more revenue from tenants (August, 2022).

Recent research has outlined the impacts of these extractive business practices on renters: rising rents, evictions, neglect of maintenance (e.g., ACORN Canada, 2022). Several studies illustrate that large-scale and financialized landlords either evict or file for evictions at a higher rate than other landlord types (e.g., Gomory, 2022; Seymour & Akers, 2021) and use algorithmic technologies to underwrite maximum returns on rental income (e.g. Vogell, 2022; Rogers et al., 2024). However, small-scale or ‘mom and pop’ landlords are not necessarily more altruistic, especially if they are more professionalized (see Decker, 2023). The negative effects of evictions are well-documented: mental and physical health challenges (e.g., Hatch & Yun, 2020; Desmond & Kimbro, 2015); housing instability and homelessness (e.g., McDonald, 2011); job loss (Desmond & Gershenson, 2016); and community destabilization (e.g., Desmond et al, 2015). There are also important racial and gender disparities in the eviction process (Merritt & Farnworth, 2020), as eviction rates are higher in Black neighbourhoods (Desmond, Gershenson & Kiviat, 2015) and racialized and female-led households with children experience disproportionately higher rates of eviction (e.g., Hartman & Robinson, 2003; Desmond, 2012; Desmond & Gershenson, 2017). While there are other structural drivers of evictions, an important one is the role of financialized landlords. To forestall the deleterious outcomes caused by evictions, there is a need to combat the financialization of rental housing.

PROMISING PRACTICES: SCAN OF ANTI-SPECULATION LEGISLATION

In this scan we have identified four approaches by lawmakers globally to curb the business practices of financialized landlords and prospective corporate buyers in residential real estate markets. Twenty policies were reviewed (see the comprehensive policy spreadsheet) and either introduced or passed in the period of 2020 to 2024, fulfilling two main criteria for this search: (1) relevant legislative measures; and (2) policy proposals created within the last five years, that are either successful (i.e., passed by a governing body), or promising (i.e., introduced by lawmakers). We allowed for three geographic scales for the legislation: municipal, state or provincial, and national jurisdictions (see Appendix A for a summary table).

FOUR MAJOR APPROACHES

1. Protecting and preserving existing affordable rental housing from being acquired by speculators and financial actors

One significant policy objective consists of protecting and preserving existing affordable rental housing from being acquired by speculators. Legislators aim to achieve this by creating property purchase and ownership stipulations to favour individual homebuyers and renters, earmarking funding for non-profit entities to acquire existing properties, implementing tax reforms, and imposing fees.

Property purchase and ownership stipulations

> In June 2024, Quebec legislators passed a three-year moratorium on evicting renters to subdivide, enlarge or change the use of a housing unit, intending to stabilize housing accommodations and prevent profit-motivated evictions. In California, the state legislature passed “SB 1079: Homes For Homeowners, Not Corporations”, a landmark bill that aimed to address the continued fallout for homeowners in the aftermath of the 2008 foreclosure crisis California policymakers prohibited sellers from bundling large numbers of foreclosed single-family homes to sell to a single buyer, instead stipulating foreclosed homes must be sold individually. Eligible bidders such as current tenants, potential owner-occupiers, and local governments intending to use the property as affordable housing have a “first right of refusal” to exceed the highest bid in auction.

Non-profit acquisition initiatives

> The British Columbia provincial government approved a $500 million fund which will enable non-profits to purchase at-risk residential buildings to secure long-term affordability. In the 2024 budget, the Federal Government introduced a Rental Protection Fund modeled after B.C.’s pilot program, allocating $1 billion in loans and $470 million in contributions to non-profit organizations to acquire existing residential units across the country.

Imposing fees and tax reform

> Local governments across California are empowered to levy fines on corporations or other property owners that leave homes vacant or blighted. In 2023, three separate bills were introduced to Congress to replicate and expand California's success at the national scale. This suite of legislation is aimed at financial actors in the U.S. single-family housing market. One policy measure proposes limiting certain tax benefits from single-family home purchases for large investors whose assets exceed $100 million in a taxable year; another proposes corporate owners possessing seventy-five or more single-family homes pay an annual fee of $10,000 per home. These fees will be pooled into a trust fund to be distributed as down payment assistance for individual homeowners. Another bill directs hedge funds (defined as corporations, partnerships or real estate investment trusts) to sell off all single-family homes they own over a 10-year period with the goal of a federal prohibition on such companies owning any single-family homes at all. These federal bills have yet to advance in the legislature.

2. Self-occupancy requirements and penalties for vacant units

Another policy objective is focused on regulating vacant rental units and imposing new self-occupancy requirements, utilizing policy measures such as property taxes and designating periods of required owner-occupancy. Since 2022, non-resident, foreign owners must pay an annual tax of one percent of the value of residential property considered vacant or underused by the Canadian Revenue Agency. Relatedly, the Ontario provincial government approved a Non-Residential Speculation Tax, which is a 25% tax rate applied to the acquisition of residential property anywhere in Ontario by foreign nationals or corporations. In the Netherlands, recent legislation has targeted investor-owned rental housing, proposing measures to incentivize owner-occupation. A 2022 federal law authorizes Dutch municipalities to designate 'purchase protection' of residential properties in certain neighbourhoods; in such areas, houses may not be rented for four years after a sales transaction unless the municipality has granted an exception or permit. Two of the Netherlands' largest cities, Amsterdam and Utrecht, have implemented city-wide purchase protection – since April 2022, Amsterdam has stipulated that the purchase of a residential property with a valuation of up to €533,000 may not be rented for four years. Strict penalties are applied for non-adherence, consisting of fines up to €21,750 per property. Purchase protection measures, according to a 2023 report from the Utrecht Mayor's office, have led to a considerable increase in first-time buyers[1].

3. Regulating short-term rentals

A third policy objective aims to regulate short-term rentals and increase local rental housing supply. In 2023, the City of Florence voted to ban the formation of new short-term rentals through platforms like AirBnb and, as an incentive measure, offered three years of tax breaks to landlords who switch short term rentals to ordinary leases. Florence is among many global municipalities that have implemented restrictions on short-term rentals – however, the city has particular concerns regarding the short-term rental market impacting historic preservation: "Over the years, the short-term tourist rental market has grown dramatically and has put the city to the test. The consequences are visible to all: loss of identity of the historic centre, housing insecurity, increase in the cost of living, and a drastic reduction in the availability of housing," wrote the Florence Mayor Dario Nardella in an Instagram post. In May 2024, British Columbia legislators passed new regulations targeting property rental platforms like Airbnb and VRBO: within higher-populated municipalities in the province, short-term rentals are to be operated by hosts listing a 'principal residence' – i.e. the residence one resides at – for "a longer period during a calendar year than any other place". The policy move is intended to restore an estimated 19,000 short-term rental units to the long-term rental market.

4. Rent regulation and limiting profit margins (i.e., de-incentivizing speculative and profiteering activity)

A fourth and final policy approach aims to regulate rent and limit profit margins for potential property speculators, relying on legislative tools such as tax policy and rent control.

Tax policy

Both Canada and Taiwan have approved legislation to address property flipping. In 2022, Canada approved a measure to consider net gains from a property transaction as business income if the property is held for fewer than 12 months, and tax it as such. In a similar vein, Taiwan enacted a 2021 policy to impose the same tax rate on property sales for individuals and businesses, thus deterring individuals from setting up companies to trade property at a lower tax rate.

Rent control

In 2020, Denmark passed a "Blackstone intervention" measure in response to heavy investment activity from the private equity giant. The Danish parliament amended the Housing Regulation Act to implement a 5-year waiting period for a rent increase after the sale and/or renovation of a property. After years of a national housing crisis, Spanish legislators passed a 2022 omnibus bill to protect renters, "The Right to Housing Law" (*Ley por el Derecho a Vivienda*). This legislation covers a range of protections including a renter's bill of rights; tax penalties for owners who leave multiple units unrented for long periods; and provisions to reserve 30% of units in new housing construction for low-income public housing. Significantly, the bill empowers Spain's *autonomias*, the nation's seventeen regional governments, to deem municipalities as *áreas tensionadas*, stressed markets, which are determined by fulfilling either criteria: (1) the average rent costs exceed thirty percent of household income or, (2) the rental or purchase price of housing, in the five years prior to declaration of a stressed market, has a growth rate of 3% more than the consumer price index in the corresponding *autonomia*. Once a stressed market is declared, municipal governments may enforce rent caps: new leases may not exceed the cost of the last valid contract in the previous five years, and if the owner is a large property holder, the rent cannot exceed a national rent price index, currently set at 3%. Thus far, Catalan is the only regional government to implement the nation's rent cap measure, and in June 2023 it declared 140 of 163 municipalities as stressed markets, covering about 80% of the region's population (Catalonian legislators have defined large property holders as owners of ten or more properties).

RECOMMENDATIONS

To date, there is little existing policy research assessing governmental responses to displacement (see Chapple et al.'s (2022) review of local displacement prevention measures). More research is needed to evaluate the effectiveness of the legislation discussed in this brief to identify the successes, challenges, and unintended negative impacts. That said, drawing from this policy survey, we argue that anti-speculation measures combined with increased tenant protections and affordable housing preservation efforts will help bolster security of tenure for renters[2].

Strengthen rent control

Increasing tenant protections through strengthened rent control measures that are tied to the unit and not just the tenant would forestall many of the negative impacts of financialization of the rental housing sector. These recommendations are not new (e.g., see Stein, 2019; August, 2022). In fact, vacancy decontrol has long been criticized for incentivizing the displacement of tenants, especially in gentrifying areas where landlords can reap higher profits simply by turning over a unit and renting it out at a higher rate (Hartmann & Robinson, 2003).

Address important data gaps in ownership and rental information

Municipalities face certain challenges in curbing the practices of predatory landlords. One particular challenge is the insufficient public access to relevant housing information in Ontario (i.e., rents, ownership, and other important rental data). If municipalities established and maintained a reliable database related to rental housing (i.e., a Rental Registry), policymakers, researchers, and tenants would benefit from the increased data transparency on ownership and rental data. Further, municipalities could require private and non-profit rental property owners to notify the municipality and tenants when they intend to sell the building, which we recommend be paired with a meaningful "right of first refusal" (see Howell, 2017[3]) as detailed in the next section.

Protecting affordable rental housing from being acquired by financialized landlords

In tandem with a public notice of sale (or notification requirement), Ontario municipalities could require a "right of first refusal" for certain rental properties, thereby achieving two objectives: enabling non-profit housing providers to purchase rental properties at risk of being acquired by financialized landlords, and encouraging a transition of private rental housing to decommodified housing units. Affordable housing advocates recognize that long-term affordability is a comprehensive goal that involves the preservation and expansion of affordable housing while minimizing opportunities for financialized landlords to further acquire this valuable stock (ACORN Canada, 2022).

Montréal has implemented a similar "first right of refusal" bylaw to preserve long-term affordable housing stock (ACORN Canada, 2022).

Ensure public subsidies are used properly to advance the public good

Lastly, we reiterate the call from housing experts and advocates who strongly state that public subsidies should advance the goal of genuinely affordable housing and build a supply of non-market housing that is affordable in perpetuity. Any state financing or support (e.g., property tax exemptions) for rental housing development should prioritize projects that will guarantee affordable rents and anti-displacement measures[4].

NOTES

1. Read the 2023 Utrecht Mayor's Office report here, in the original Dutch: https://utrecht.bestuurlijkeinformatie.nl/Reports/Document/c8a32dee-5401-4632-97de-f122bdb56dc7?documentId=7d71c79b-c02c-43b6-b27c-e012f5d6c5b7

2. Others have outlined human rights-based recommendations to address financialization (e.g., see Federal Housing Advocate's Preliminary Recommendations)

3. Over 2,200 affordable housing units in Washington, DC, have been preserved through the use of right of first refusal and the Tenant Opportunity to Purchase Act, with the assistance of local and federal funding (Howell, 2017).

4. For more recommendations on affordability stipulations for public housing subsidies, see August, 2022.

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