Real estate speculation is the practice under which housing is primarily treated as a market investment - one to be bought, sold, and flipped in order to maximize profits. Through deregulation, corporate consolidation, and technological innovation, the practice of real estate speculation has a growing stake in the housing market. These tactics impact everything from housing costs and building management to eviction and vacancy rates, encouraging predatory landlord practices and amplifying displacement pressures. Understanding real estate speculation is a key lever to drawing the connections between local housing issues and global financial markets; it illuminates where jurisdictional housing policies must target not only physical infrastructure, but financial systems as well.

**SPECULATION VS. INVESTMENT**

Property speculation is an approach to real estate investment where anticipated profits are based on predicted changes in local market conditions rather than physical improvements or rents. This makes property speculation a high risk, high reward endeavor, where properties are often bought and sold at a rapid pace. In some cases, real estate speculation won’t provide homes for anyone at all. A real estate investor may buy a residential property with no plan to rent the units. Rather than investing the capital to renovate or manage a building, a speculator may determine that it is more profitable to simply hold onto a building until the neighborhood housing market heats, reaping profits from the property sale itself. Thus, there is a tight connection between real estate speculation and residential vacancy.

Like speculation, investment seeks to maximize returns. Even absent speculative practices, real estate investment can inflict harm, such as the upscaling of previously unsubsidized and affordable housing. For this reason, it is not only important to differentiate between speculation and investment, but between types of investment as well.

### Municipal Policies for Combating Real Estate Speculation

- **Residential Vacancy Tax**: a tax on residential property owners designed to open up supply in the housing market. It is applied when a home is not the owner’s primary residence and is left empty for a certain amount of time.
- **Anti-Speculation Tax**: a transfer tax levied on a property when it is sold within a certain time period after purchase to discourage property flipping.
- **Foreign Property Purchase Tax**: a tax on vacant properties held by foreign investors who don’t contribute taxes to the local economy.
- **Targeted Property Surtax**: a model that applies taxes on buildings that attract speculators.
- **Capital Gains Tax**: a tax on the appreciated value of property when sold.
- **Public Lease Registry**: a centralized hub for sharing and disclosing rental rates in a jurisdiction.
The groundwork for the current real estate economy was laid in the 1980s, when deregulation and the growth of the financial service industry bolstered the power of real estate ventures. Together with urban renewal programs and deindustrialization, property became a primary asset for investors. The 2008 financial crash accelerated this process.

The foreclosure crisis — a crisis which disproportionately impacted Black households — opened a new opportunity to deepen real estate financialization. Eyeing foreclosed properties and extremely discounted homes, institutional investors poured money and quickly amassed gigantic portfolios.

That these homes are a financial commodity is no exaggeration. Starting in 2013 the financial industry began selling bonds based on future rent checks, also known as single family rent-backed securitization. This process has similarities to mortgage-backed securitization, the infamous financialization process in the mortgage industry that played a big role in setting off the housing market collapse in the first place.

In addition to securitization, some institutional real estate investment firms are themselves publicly traded companies, further entrenching rental homes as an investment venture. By incentivizing maximum returns on investment, publicly traded real estate companies invite the same type of predatory behavior that typifies predatory mortgage lending. These corporate landlords have financial incentive to maximize rents and minimize maintenance.

Spotlight on: Blackstone Financial Group

After a merger with Starwood Waypoint Homes in 2017, Invitation Homes became the largest landlord for single family rentals in the country. At the time of the merger, Invitation Homes controlled approximately 82,000 single family rentals nationwide. The Blackstone Financial Group - a hedge fund based in New York City - poured big money into this financial venture. In 2019 Blackstone sold off its shares in Invitation Homes, taking home $1.7 billion.

Institutional investors like banks and hedge funds now own one quarter of all single family rentals in the United States. Not only do these real estate practices outcompete small-time local landlords, but they increasingly bind rental property to Wall Street finance. This is part of process often referred to as the financialization of the housing market.

Real estate speculation primarily applies to areas of the housing market where significant changes in value are anticipated. Green infrastructure investments, particularly at a large scale, are one such driver of large value changes. High impact green development projects, such as new park or greenway construction, invite real estate speculation. Investors may buy up surrounding properties years before a project is realized, driving up property values, displacing residents, and contributing to the consolidation of property ownership. In doing so, speculative practices restrict who is able to access and enjoy the fruits of these investments.