The United Nations Human Rights Council's report in 2017 centred on the financialisation of housing, presents a critique of how global financial markets have managed to twist housing into a commodity, one which is increasingly detached from its foundational purpose as shelter and a basic human right. Special Rapporteur Leilani Farha reports that the entrance of institutional investors, hedge funds, private equity firms, and real estate investment trusts (REIT) into residential real estate markets is strongly connected to rising costs of housing, increased displacement, and a general deterioration in both the accessibility and quality of homes. Farha believes that states must reassert their authority to regulate such domains, viewing housing as an inherent human right and not simply a financial instrument. I agree with the report's conclusions, acknowledging that financial markets have the capacity to solve allocation and capital mobilisation problems alike, the unfettered financialisation of housing has instead exacerbated inequality and subverted the social function of housing.

First and foremost, the financial markets exist to allocate resources with efficiency, mitigate risk, and facilitate investment. In theory, the commodification of housing would serve useful purposes, such as pooling capital for new housing construction, enabling homeownership with mortgage-backed lending, and promoting liquidity and price discovery in real estate markets. These mechanisms are more than capable of solving key economic problems such as underinvestment and asymmetric information, assuming they are well-designed and regulated. However, the Special Rapporteur's report describes how the housing markets, previously driven by local demand and necessity alike, have now become entangled with speculative global capital flows, leading to distortions within the system.

Case in point, major cities were highlighted, such as London, New York, Vancouver, and Hong Kong, as they have become targets for global investors seeking so-called "safe assets" in real estate. These investors often prioritise capital appreciation over occupancy, leading to many vacant luxury properties, increased gentrification, and a general lack of affordable housing. This is not simply a side effect but a predictable outcome of financialisation: homes are treated as assets whose utility is tied not to use-value (shelter) but to returns. When institutional investors buy and "upgrade" properties to charge higher rents or resale, long-term residents, especially the poor, tend to be displaced. These practices run in opposition to the human rights principle that housing should be "adequate, affordable, and accessible."

A central theme of this course has been to investigate whom financial markets truly serve. In the case of housing, the answer is increasingly skewed toward individuals with high net worth, transnational investors, and asset managers, groups with very little stake in the social or communal fabric of the areas in which they invest. The UN report notes that housing has become a significant component of global capital accumulation strategies, motivated by low interest rates and a shift away from productive investment toward rentier capitalism. Rather than funneling money into construction or rehabilitation, financial actors tend to extract value through rent hikes, evictions, and speculative flipping.

This financial activity certainly generates returns for investors, but it does so by undermining the economic security of others. Unlike stocks or derivatives, housing is a finite asset with direct implications for social welfare. The use of real estate as a financial instrument introduces negative externalities such as homelessness, segregation, and social unrest, all of which are not priced into transactions. This violates a basic tenet of market efficiency: that costs and benefits be internalised. Additionally, the increased volatility and opacity in housing markets, spurred by complex investment vehicles, undermines transparency of the markets, and makes rational pricing more difficult.

Despite its critical tone, Farha's report implicitly acknowledges that finance can indeed play a role in housing (just not in its current form). The same financial tools that have fueled speculation can be repurposed. For instance, real estate investment trusts (REITs) might be structured to support affordable housing developments, offering steady returns through long-term leasing rather than short-term flipping. Both social impact bonds and public-private partnerships can align investor incentives with public welfare goals. Municipal governments could impose taxes on vacant properties, regulate rent increases, and invest in public housing; all of these are actions that modulate market behavior without eliminating it entirely.

Most crucially, these interventions require a shift in legal and normative frameworks. As the report states, recognising housing as a human right involves placing public obligations upon private actors. This does not preclude private investment, but rather simply reframes the purpose of such investment. Financial markets are not value-neutral, they embody priorities and assumptions. If those priorities emphasise short-term profit over long-term stability, the market will reflect that bias.

The UN Human Rights Council's report presents a persuasive indictment of the current trajectory of housing financialisation. It challenges the notion that markets, left to their own devices, will "serve the common good". While financial markets certainly have the potential to address capital allocation issues in housing, they have instead worsened inequality, externalised risk, and undermined the social contract. Farha calls, justifiably, for regulatory frameworks that recognise housing as a human right, which is a simple principle that is not simply morally compelling but also economically sound. Rebalancing the housing market requires more than technical fixes…it demands a full reorientation of values, placing human dignity right at the center of financial design.