

Buy-to-Live vs. Buy-to-Let: The Impact of Real Estate Investors on Housing Costs and Neighborhoods

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This Paper

1. Policy: Opkoopbescherming

- ▶ Investors must acquire a permit to rent-out a qualifying house within four years of purchase after a given date
- ▶ No permits have been given out

2. Data: Denmark, 2021-2022

- ▶ Dutch Land Registry: all housing transactions in the Netherlands
- ▶ Statistics Netherlands: demographics, tax values
- ▶ Samples: Rotterdam (within city); Multiple Cities (across cities)

3. Method: DID

4. Results:

- ▶ No effect on sale prices or number of sales
- ▶ Substantial decrease in investor purchases (some shifting?)
- ▶ Increase in first-time HH buyers, but different HH types than would-be renters

Literature Context

1. Investor Landlords in SFR

- ▶ Cosman & Quintero (wp, 2021) “Fewer Players, Fewer Homes: Concentration and the New Dynamics of Housing Supply”
- ▶ Austin (wp, 2022) “Keeping Up With the Blackstones: Institutional Investors and Gentrification”
- ▶ Xiao (wp, 2022) “Investor Scale and Property Taxation”
- ▶ Gurun, Wu, Xiao, & Xiao (RFS, 2023) “Do Wall Street Landlords Undermine Renters’ Welfare?”

2. Lurking in background: Pricing Power / Monopoly Power

- ▶ Watson & Ziv (wp, 2021) “Is the Rent Too High? Land Ownership & Monopoly Power”
- ▶ Watson & Ziv (wp, 2023) “A Test for Pricing Power in Urban Housing Markets”

3. Non Econ/Fin literature includes more case-studies

- ▶ Tend to use the term ‘financialization’
- ▶ Raymond, Duckworth, Miller, Lucas, & Pokharel (2018, Cityscale); Crosby (2020, Geoforum); Lima (2020, Cities); Hawes & Grisdale (2020, book)

Research Questions

Does investor buy-to-let crowd out marginal household home purchases?

Yes

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Ideal Experiment

1. As houses go on market, randomly assign some as investor buy-to-let ineligible
2. Compare differences in outcomes across assignment groups

Actual Experiment

1. Investors barred from renting within 4 years of new purchase if house value is below a local threshold (and/or also in designated area)
2. Compare similar houses below threshold in nearby non-treated areas

Issues:

- ▶ Can qualification be manipulated by sellers (e.g., renovations, higher price)?
- ▶ If new buy-to-let banned in an area, then does HH-demand increase? How does homophily affect things?

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Analysis

	Low Value	High Value
Untreated Area	Control	Out of Area, Too High Value
Treated Area	Treated	In Area, Too High Value

- ▶ Compare Treated and Control
- ▶ Do we need to worry about adjustments across value in supply / demand?

Other (interesting?) questions

1. If no price or quantity effects, then why were sellers selling to investors over HHs?
2. If investors stop buying (i.e., do not switch to buy-to-sell), then does this tell us anything about implied profitability / demand for temporary housing versus finding undervalued houses for sale?

- ▶ Confused by claim that Rott is only large city with neighborhood policy targetting, is large doing all the work there?
- ▶ Any hope to use value threshold for identification? Most identification is spatial
- ▶ Does graphical evidence support? Eg in DID, want control group to be relatively constant pre-post