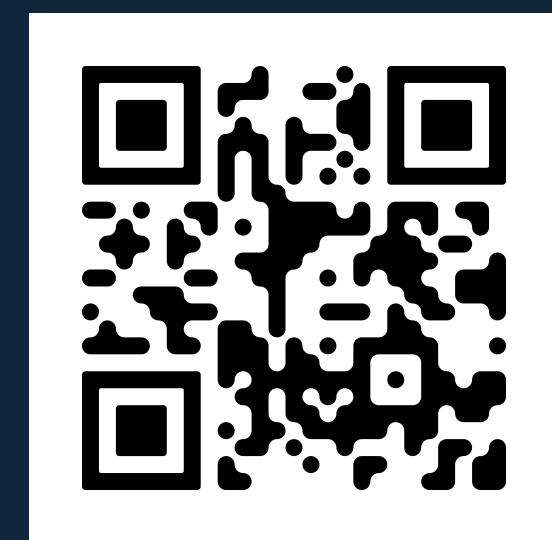




Institutional Investors and House Prices

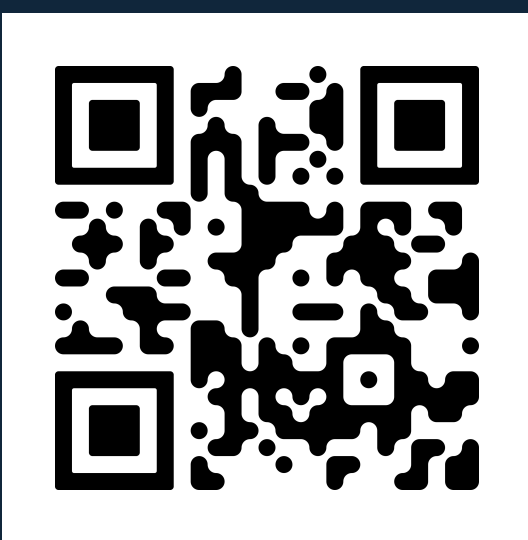
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How do institutional investors influence aggregate housing market dynamics?

Large house purchases by institutional investors such as funds and insurers have grown steadily in the euro area since 2010

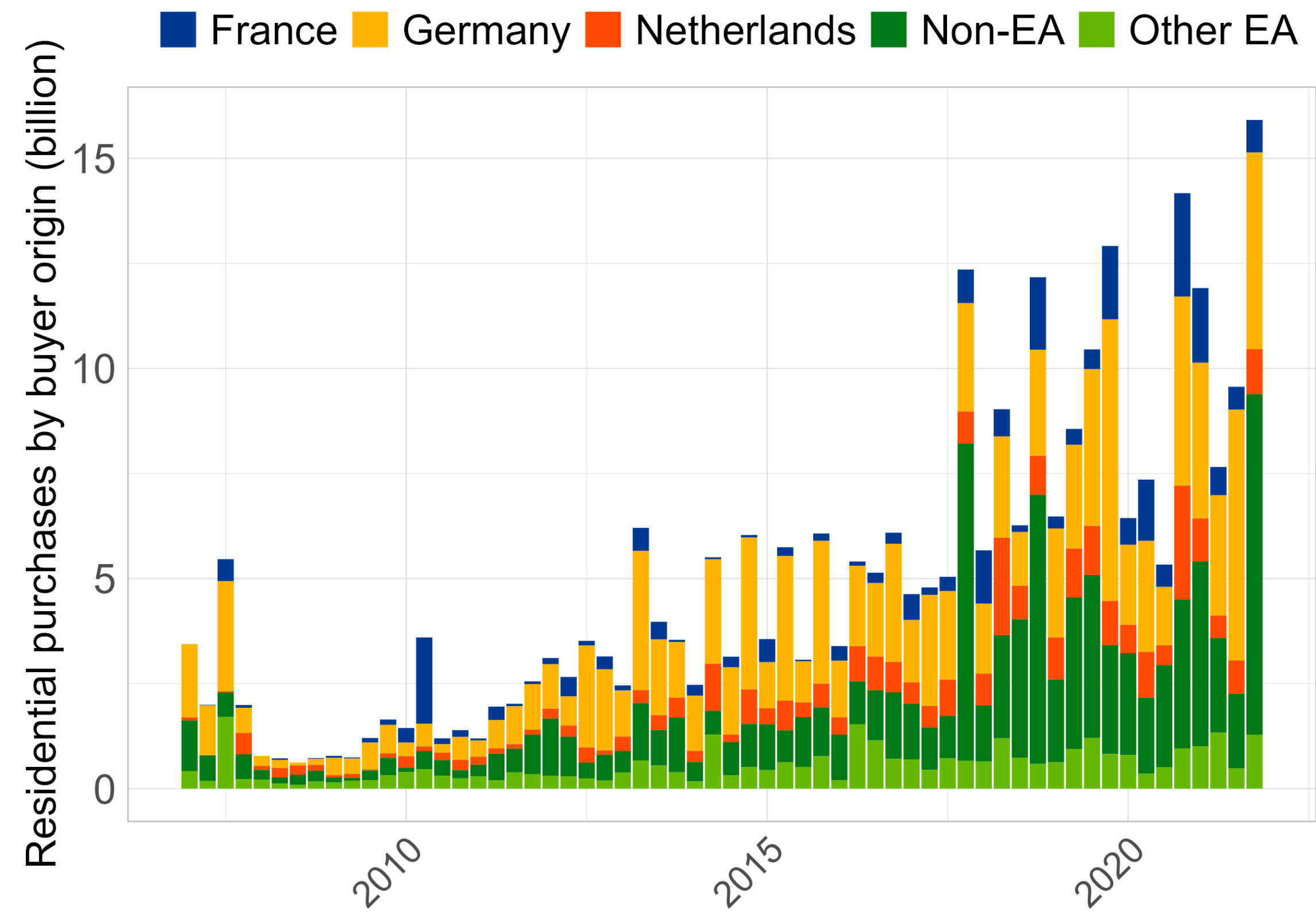


Figure 1. Institutional Investor House Purchases in the Euro Area, by Buyer Origin (EUR billions)

Notes: Euro-denominated value of residential real estate purchases by institutional investors in the euro area, broken down by buyer origin. Institutional/nonhousehold buyers include mutual funds (largest share), insurers/pension funds, nonfinancial corporations (e.g., large landlords), and other investment vehicles. Data source is MSCI Real Capital Analytics. MSCI Real Capital Analytics captures large residential real estate transactions by nonhousehold buyers; it does not cover household purchases and is biased toward large deals (typically $\geq$ EUR 10m), so levels should be interpreted with caution.

Within the euro area, there is high investor presence in Germany and the Netherlands and typically in capital cities

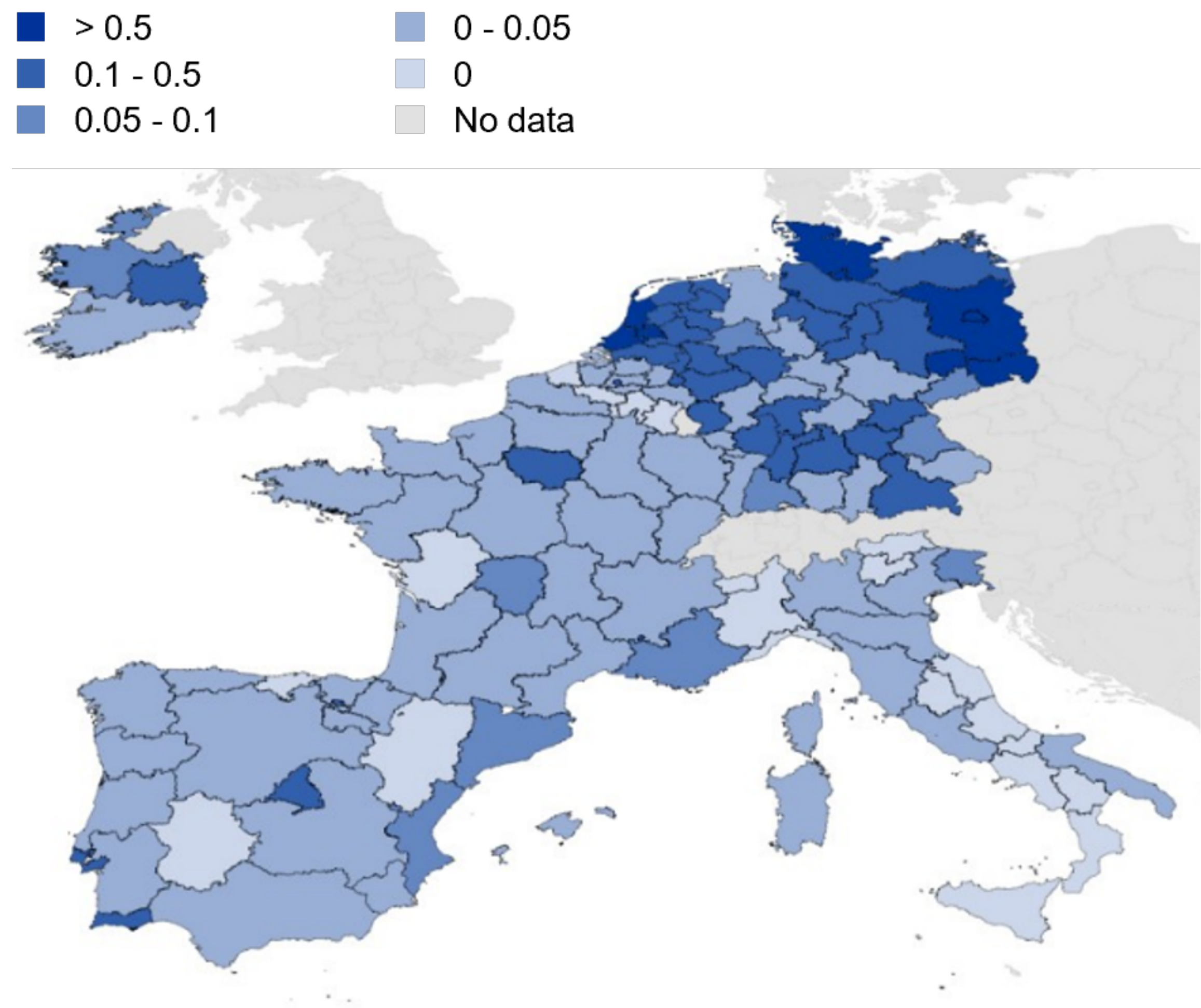


Figure 2. Institutional Investor House Purchases as a Share of Regional GDP (%)

Notes: For each statistical region (Eurostat NUTS 2) in our euro-area regional sample, the figure shows the average purchase volume of residential real estate by institutional investors between 2007 and 2020, normalized by regional GDP. Data sources are MSCI Real Capital Analytics and Eurostat.

Datasets:

- MSCI Real Capital Analytics (housing transactions by large, nonhousehold, institutional investors)
- European DataWarehouse (local house prices)

Badarinza, C. and Ramadorai, T. (2018). Home away from home? Foreign demand and London house prices. *Journal of Financial Economics*, 130(3):532–555.

Coven, J. (2025). The impact of institutional investors on homeownership and neighborhood access. Available at SSRN 4554831.

Cvijanović, D., Milcheva, S., and Van de Minne, A. (2022). Preferences of institutional investors in commercial real estate. *Journal of Real Estate Finance and Economics*, 65:321–359.

Krippner, L. (2013). Measuring the stance of monetary policy in Zero Lower Bound environments. *Economics Letters*, 118(1):135–138.

Mills, J., Molloy, R., and Zarutskie, R. (2019). Large-scale Buy-to-Rent investors in the single-family housing market: The emergence of a new asset class. *Real Estate Economics*, 47(2):399–430.

Identify an investor demand shock in a euro area Vector Autoregression model

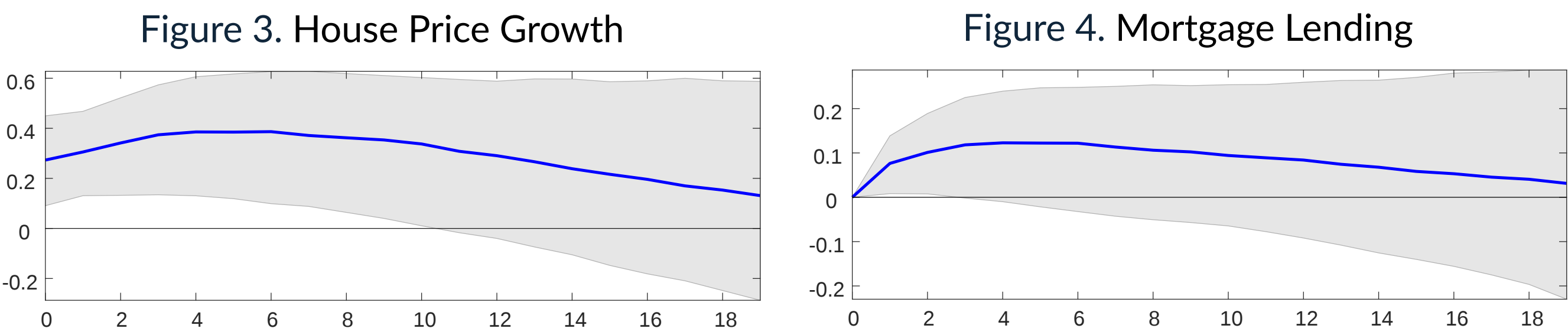
Under our zero/sign restrictions identification strategy, the shock is orthogonal to household demand and robust to market timing concerns (Mills et al., 2019; Coven, 2025)

A one s.d. institutional investor demand shock raises house prices by about 0.4% at a one-year horizon

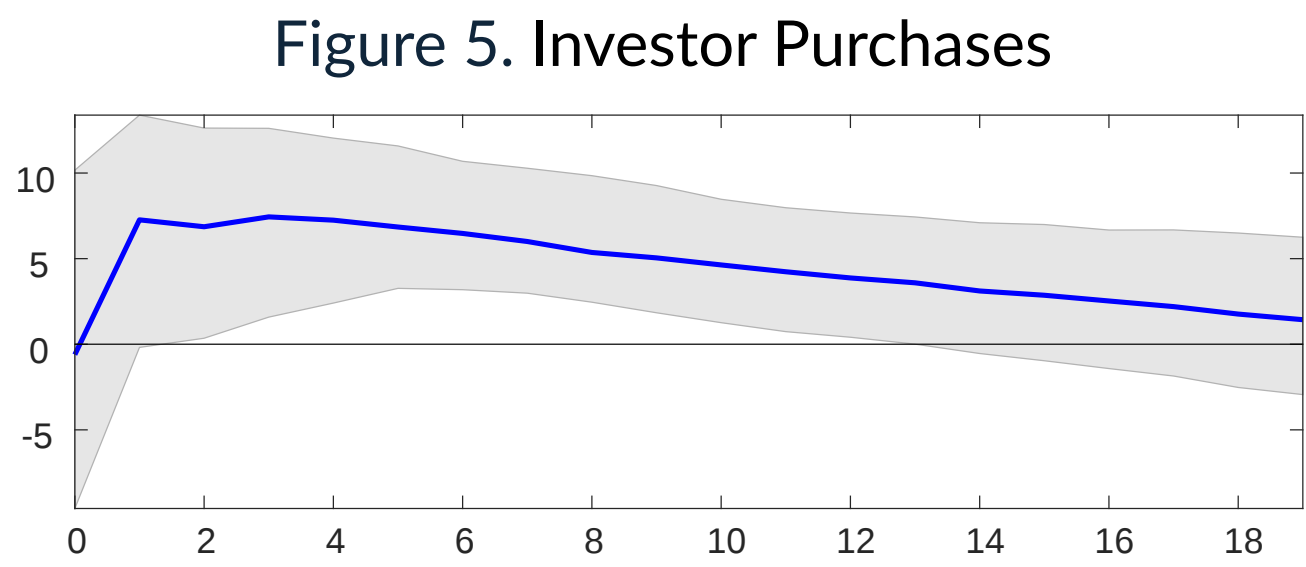
→ Delayed increase in mortgage lending (feedback loop with collateral values)

Monetary policy easing: investor purchases increase, consistent with search-for-yield behavior

Impulse Responses to a 1 s.d. Positive Institutional Investor Demand Shock (%)



Impulse Responses to a 1 s.d. Easing Euro Area Monetary Policy Shock (%)



Notes: Median responses and 68% credible intervals to a 1 s.d. decrease in the euro area shadow rate (Krippner, 2013). Bayesian Vector Autoregression model estimated with 2 lags on quarterly data. Diffuse prior and standard hyperparameters. Endogenous variables: institutional investor purchases, residential investment, RRE prices, mortgage lending, lending rates, shadow rate, and disposable income. Results robust to shrinkage priors (Minnesota) and alternative lag lengths. Identification (on impact): MP shock = shadow rate $\downarrow$, mortgage lending rate $\downarrow$, RRE prices $\uparrow$, HH mortgage loans $\uparrow$, investor purchases unrestricted, others 0; Institutional investor shock = investor purchases $\uparrow$, RRE prices $\uparrow$, residential investment $\uparrow$, and HH mortgage loans, mortgage lending rate, and shadow rate restricted to 0. Sample: 2007–2021.

Exploit heterogeneity across regions in a panel setting with region fixed effects

(Badarinza and Ramadorai, 2018; Cvijanović et al., 2022)

When institutional investor presence is higher, local house prices are:

- Less sensitive to local wage growth, and
- More sensitive to euro area monetary policy.

Panel of regions in eight euro-area countries (BE, DE, FR, PT, ES, NL, IE, IT), 2008–2020.

$$\underbrace{\text{House price growth}}_{\mathcal{Y}_{i,t+4}} = \alpha + \beta_1 \underbrace{\text{Investor presence}}_{\mathcal{P}_{i,t}} + \beta_2 \underbrace{\text{Macro variable}}_{\mathcal{M}_{i,t}} + \beta_3 \underbrace{\text{Interaction}}_{\mathcal{M}_{i,t}\mathcal{P}_{i,t}} + \lambda' \underbrace{\text{Regional controls}}_{\mathcal{X}_{i,t}} + \nu_i + \epsilon_{i,t}$$

i = region; t = quarter.
 $\mathcal{P}_{i,t}$ = investor purchases over three years, normalized by GDP. $\mathcal{M}_{i,t}$ = local wage growth or shadow rate.

Figure 6. Specification with Local Wage Growth

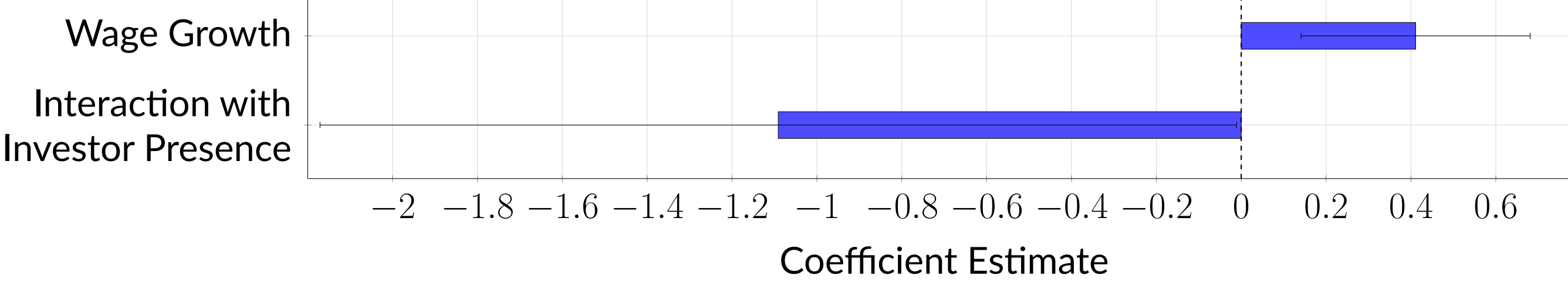
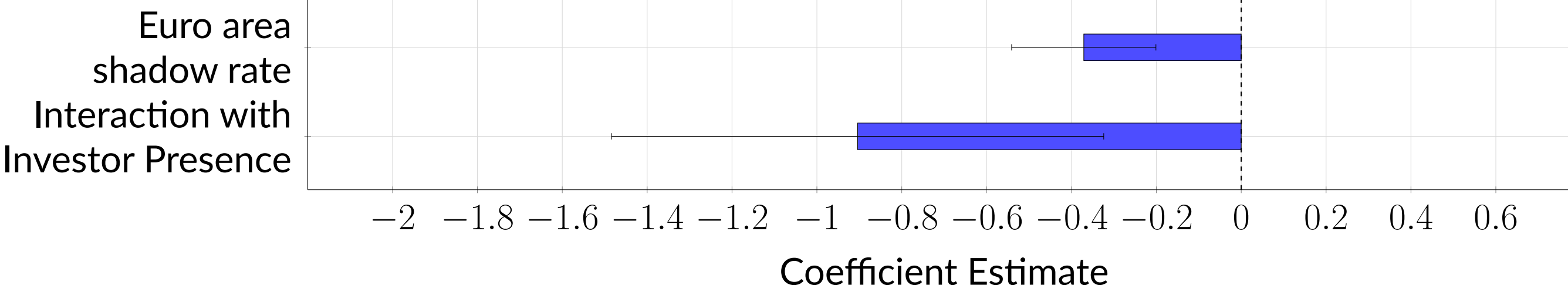


Figure 7. Specification with Euro Area Monetary Policy



Notes: Coefficient estimates and 95% confidence intervals from regional panel regressions of one-year-ahead house price growth on institutional investor presence, interacted (in separate specifications) with the euro area shadow rate (Krippner, 2013) and local wage growth. Regional fixed effects. Regional controls: current house price growth, GDP per capita, GDP growth, and population growth. Standard errors are clustered at the region level.