

Abstract

In several OECD countries, pension funds invest a significant share of their assets in residential property. This paper tests the hypothesis, whether pension funds and other self-financed property buyers have a larger effect on local house prices than homeowners and other bank-financed property buyers. Self-financed property buyers of new residential housing are not dependent on mortgage credit and operate independently of the macro-prudential environment. This is not so for bank-financed property buyers. We examine the response of Swiss house prices to new housing investments by self- and bank-financed property buyers at the municipality level between 2008 and 2015: a period when interest rates were at the zero lower bound and macro-prudential regulation became more restrictive. Despite being a small investor class for new residential housing, self-financed property buyers have a disproportionate effect on local house prices.