

The Economic Effects of Real Estate Investors

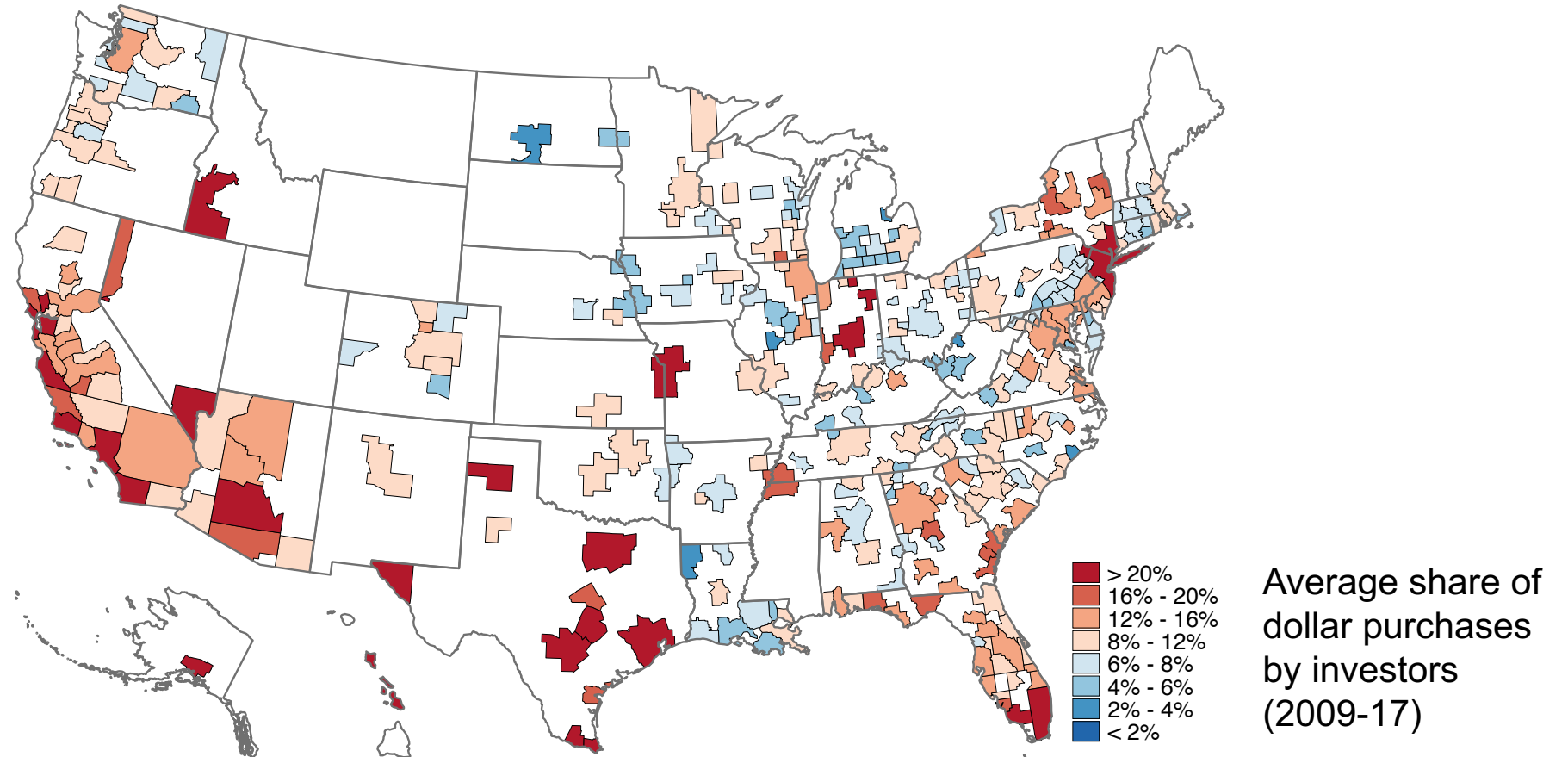
Carlos Garriga, Federal Reserve Bank of St. Louis

Pedro Gete, IE University

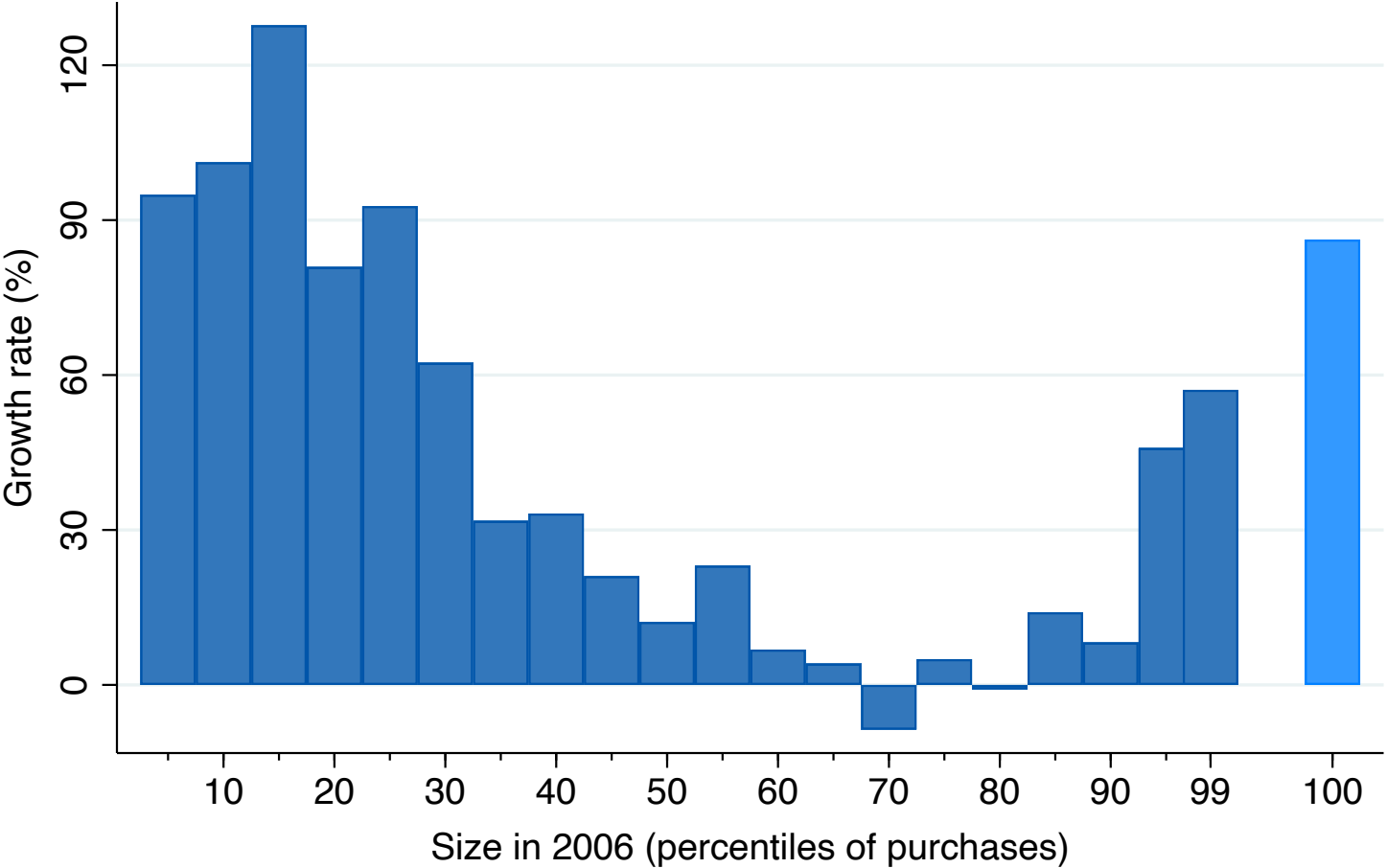
Athena Tsouderou, University of Miami

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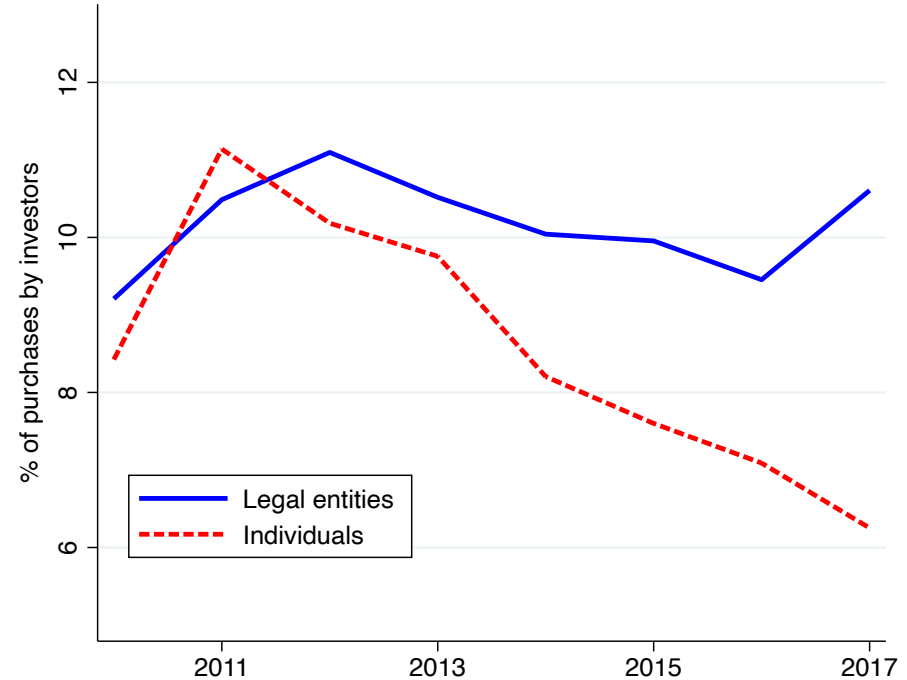
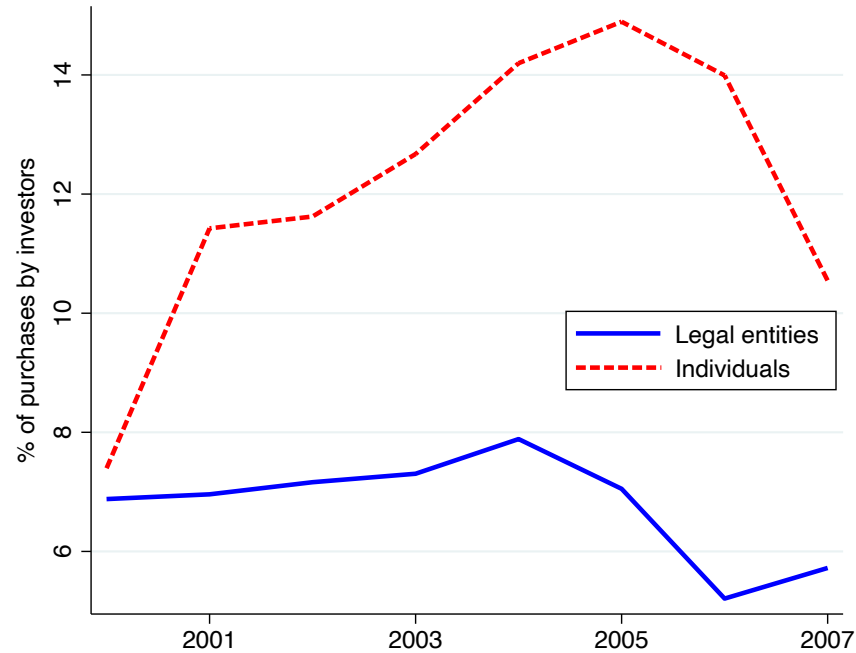
The flow of purchases of investment properties is concentrated in the sunbelt states



The smallest investors had the largest growth in the value of purchases from 2006 to 2015

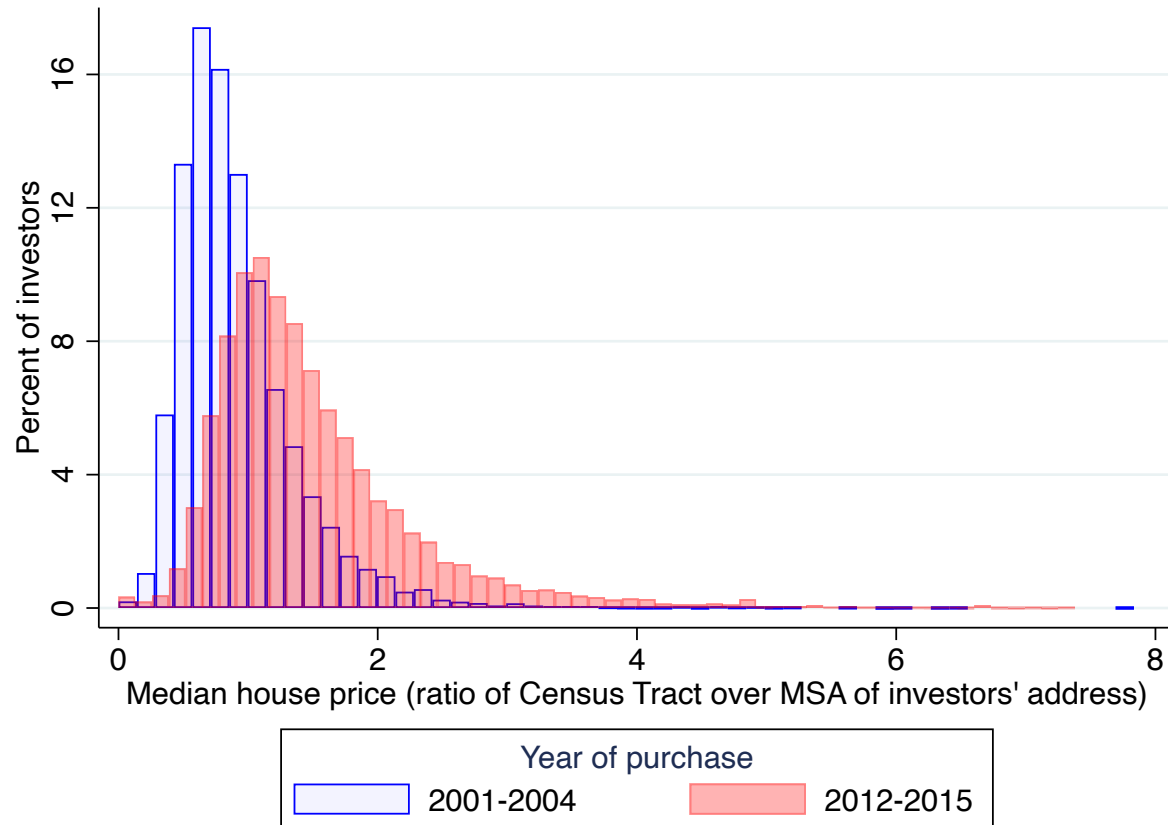


Investors in single-family homes in more recent years use more sophisticated corporate structures



- ▶ Individual: Buy properties other than their main residence, using their personal name.
- ▶ Legal entities: Buy multiple properties through an LLC or LP or Partnership, etc.

The new investors live (or are established) in neighborhoods with higher wealth and education



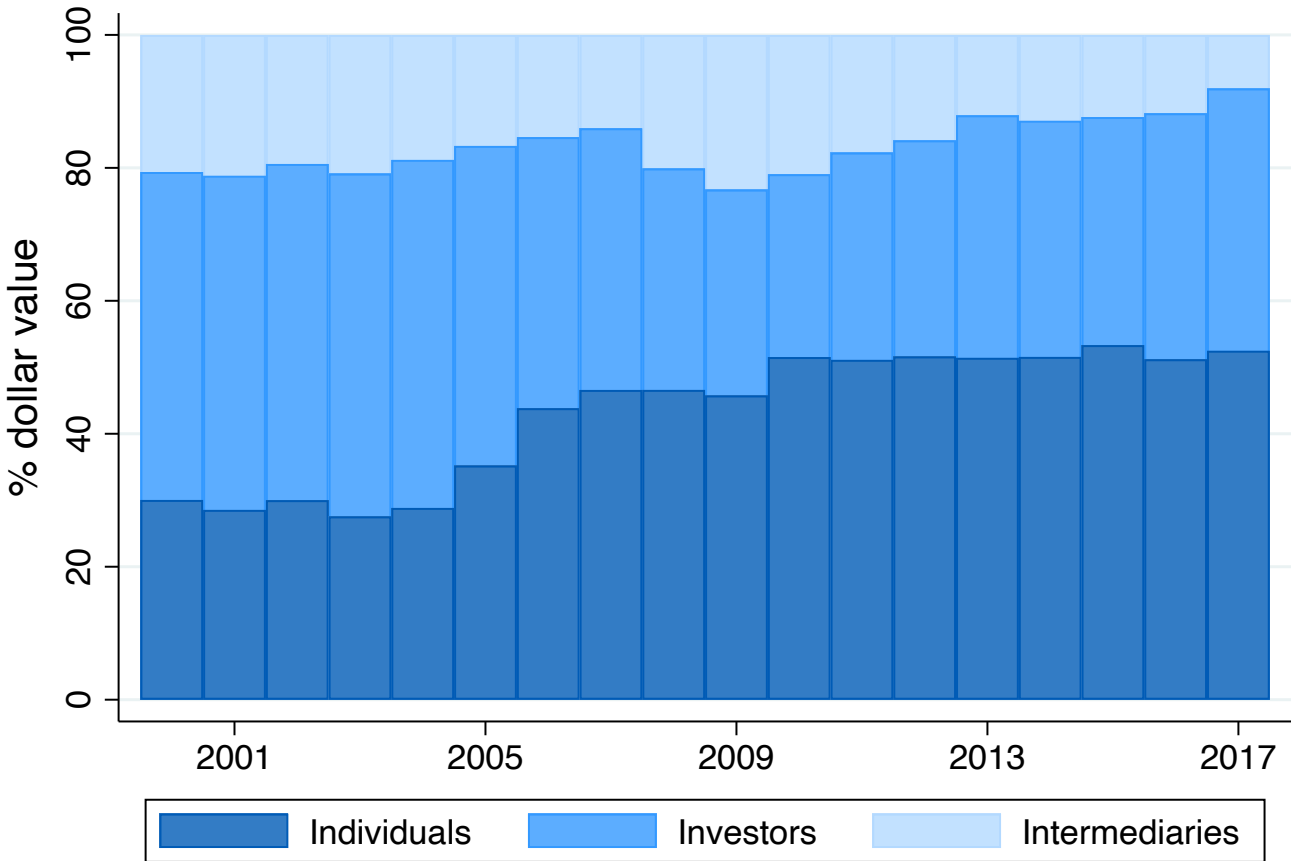
- ▶ Better education and sophistication makes investors less prone to behavioral biases.

The new investors are less leveraged, more likely to be cash buyers

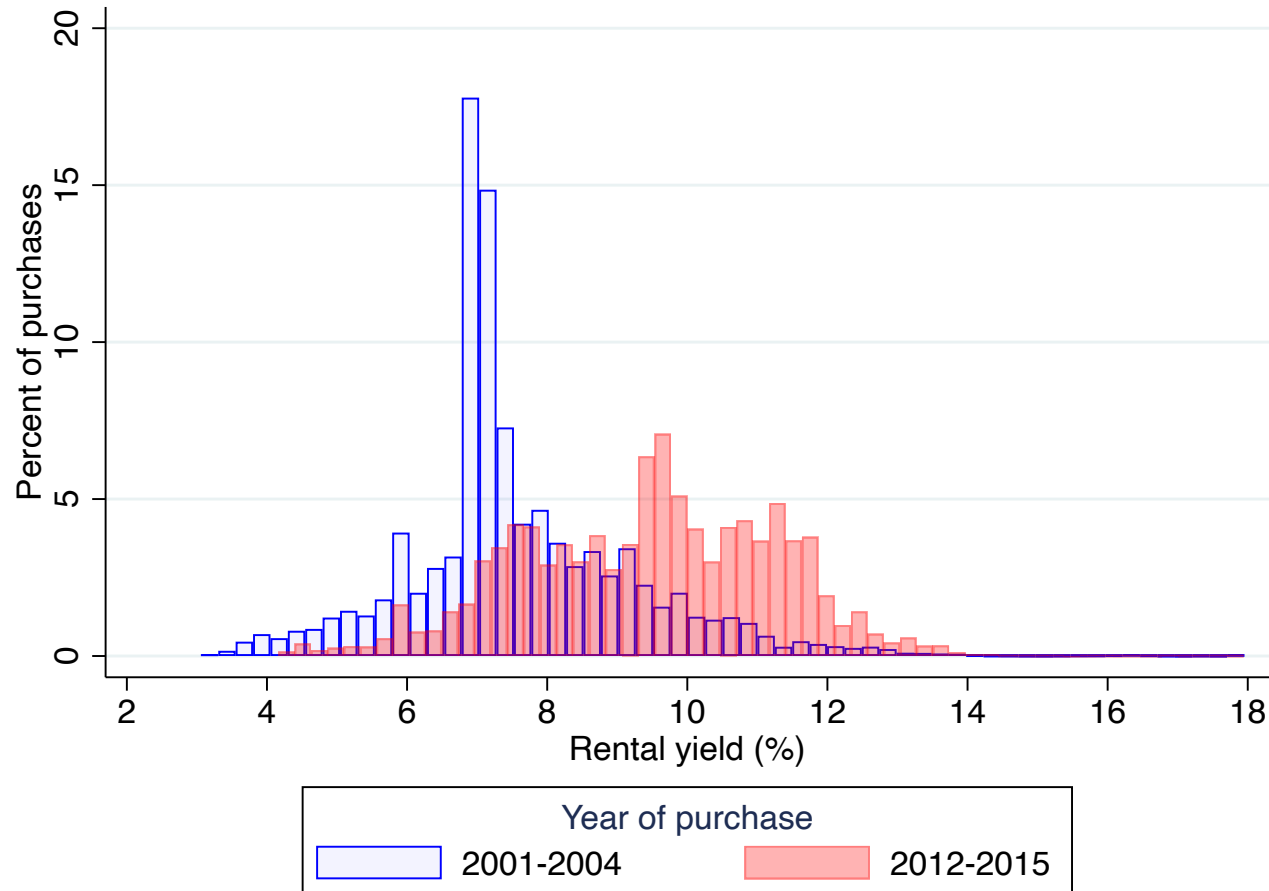
Year	Has mortgage (%)	Loan-to-value ratio	Year	Has mortgage (%)	Loan-to-value ratio
2001	64.55	0.849	2012	19.69	0.810
2002	64.14	0.842	2013	26.54	0.807
2003	64.38	0.833	2014	23.01	0.811
2004	65.37	0.817	2015	22.73	0.821
Average	64.68	0.833		23.06	0.812

- ▶ Investors are less sensitive to credit conditions and monetary policy.

Most investors in recent years buy single-family homes from households



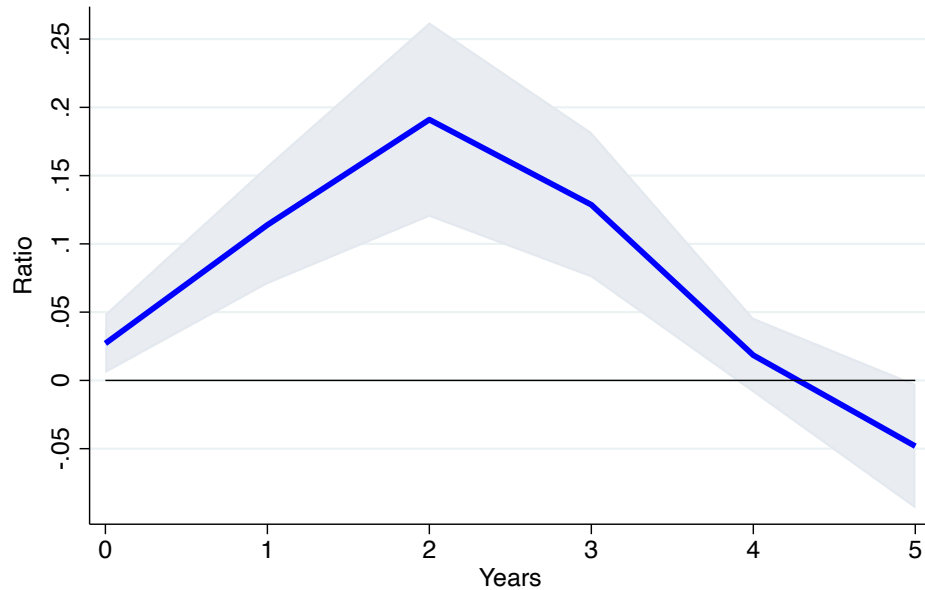
The recent investment locations have higher rental yields



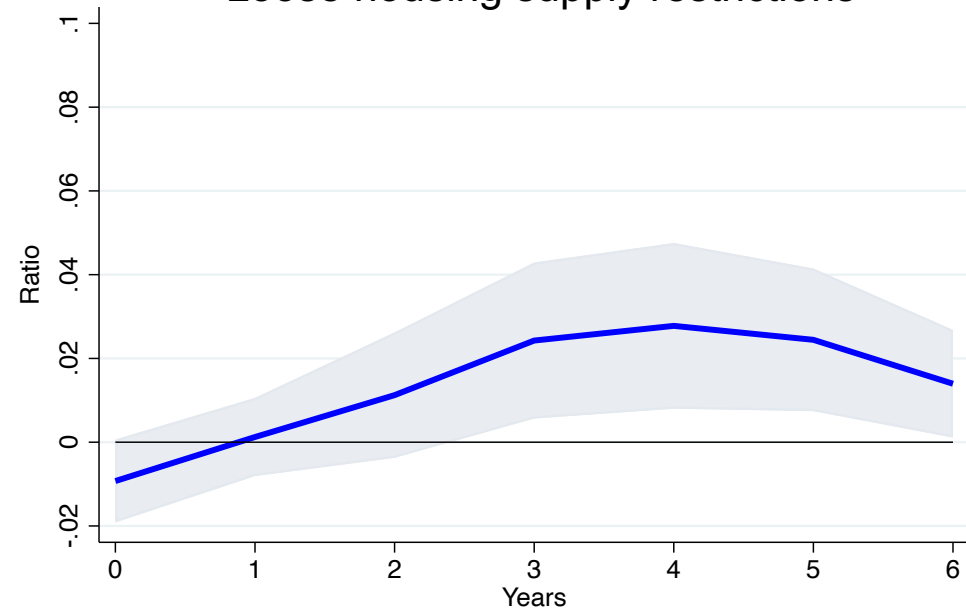
- The new investors hold properties for longer: They are less sensitive to price appreciation.

Buy-to-rent investors worsen affordability: Increasing construction mitigates the effect

Price-to-income ratio response
Strict housing supply restrictions



Price-to-income ratio response
Loose housing supply restrictions



- ▶ The demand from buy-to-rent investors did not cause large price increases in areas where it is easier to build new homes.

Thank you

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