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Evidence from The Netherlands

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Direct and Spillover Effects of Forced Sales on House Prices: Evidence from The Netherlands

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Abstract

We estimate the effects of forced sales on the Dutch housing market. A forced sale may have two distinct effects: a lower transaction price of the property itself (“direct effect”) and lower transaction prices for unforced nearby transactions (“spillover effect”). We estimate both effects. We employ an unusual rich dataset of about 750,000 house transactions in the Netherlands between 2007 and 2013. To identify the effects of forced sales we control for neighborhood-time effects, detailed house characteristics, and use both a quasi difference-in-differences specification and a repeat-sales specification. A forced sale results in a price discount of about 5 percent and a nearby forced sale reduces the transaction price by about 0.6 percent.

JEL Classification Numbers: G21, R20 and R31.

Keywords: Forced sales, mortgages, housing market, externalities.

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