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Real Estate Investors and Housing Policy: A Dutch Perspective

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Abstract

Debate is increasing about buy-to-rent investors in housing markets. This article provides a Dutch perspective on this issue. Similar to the United States, the Netherlands has experienced increasing activity of buy-to-rent investors. In response, the government raised the real estate transfer tax for investors and allowed municipalities to ban buy-to-rent investments for much of the housing supply. Although these policies have effectively reduced investor purchases and helped first-time buyers, they have had limited effects on house prices. Most important, research finds that such policies can have significant impacts on which residents end up living in sold properties, with buy-to-rent restrictions reducing the entry of residents with low incomes, often young adults or migrants, in favor of wealthier owner-occupants. The economic effects of such investors ultimately depend on the residents they cater to, which varies between retail and institutional investors across locations and over time. Policymakers should consider this fact when designing policy.

Following the financial crisis of 2008, the importance of investors in housing markets has grown significantly, both in the United States and internationally. U.S. Census Bureau (2024) data show that homeownership rates declined from about 69 to 63 percent between 2006 and 2016 and have only recovered to slightly less than 66 percent in recent years. After the crisis, investor activity increased as investors converted existing owner-occupied units to rental units, often following distress sales, and increased the supply of units through new construction or redevelopment projects. The activity of these investors has come under increasing scrutiny. Policymakers in the United States have targeted large investors owning hundreds or thousands of properties. For example, two congressional bills have been

Abstract (continued)

introduced to increase taxes on large institutional investors.¹ Similar legislation has been proposed at the state level, such as in California. A key concern is that the activity of investors drives up housing costs and makes it more difficult for first-time buyers to purchase property. Such concerns are not specific to the United States and have been echoed in other Western countries, such as Canada (August, 2022) and various European countries (Gabor and Kohl, 2022). The Netherlands is one of the countries that have worked to advance regulations regarding housing investors. The Netherlands has passed various regulations to curtail investor activity and benefit first-time homebuyers in the past few years.

This article aims to use the Dutch experience to shed new light on the different roles of investors in the housing market, discuss the effects of a Dutch policy that restricted buy-to-rent activity, and explore what U.S. policymakers can learn from the Netherlands' experience. This article largely summarizes the findings of Francke et al. (2025), which evaluate the effect of a ban on buy-to-rent investments. This article first provides an overview of the Dutch housing market, the types of investors active in the market, and the residents they target. This introduction is followed by an overview of various policies the Dutch government has enacted to restrict the activity of investors. The article focuses on the buy-to-rent ban that the Dutch government introduced and the results of the evaluation of this policy by Francke et al. (2025). Of particular importance are the effects of these policies on residents. The article concludes with the implications of these findings for the U.S. policy debate.

Institutional Context: The Dutch Housing Market and the Role of Investors

The Netherlands housing market has three distinct segments.² First, a large owner-occupied sector comprises about 58 percent of households. Owner-occupied housing is fiscally stimulated through generous mortgage-interest deductibility and low effective tax rates relative to private rental housing. Homebuyers can receive a mortgage for up to 100 percent of the property value as long as they satisfy limits on debt-service-to-income ratios set by the government.

Second, a large nonprofit rental sector covers about 28 percent of the housing supply. This sector comprises dozens of large housing associations operating regionally and providing affordable housing at regulated below-market rates. To finance their activities, they can access state-guaranteed loans and often receive discounts on land for new construction. Households with income in the bottom 40 percent of the income distribution generally are eligible for such units, which typically are allocated through waiting lists centrally managed at the regional level. Wait times average several years and can become longer in high-demand areas. As a result, most young adults or those migrating from other areas rely on private rental housing.

¹ See <https://www.congress.gov/bill/117th-congress/house-bill/9246?s=1&r=2> and <https://www.congress.gov/bill/118th-congress/senate-bill/3402?s=1&r=14>.

² The statistics in this section are based on administrative data of Statistics Netherlands, which provides information on property ownership and residents. Part of this information is provided by the Dutch Land Registry, which records real estate ownership and transfers.

The private rental sector covers about 14 percent of the housing supply. Investors in this sector are a highly heterogeneous group. Overall, about 50 percent of Dutch private rental properties are owned by private individuals, who typically own one or only a few properties; business entities own the other half. Among the properties owned by business entities, about 40 percent are owned by institutional investors. Institutional investors typically include business entities with sizable property portfolios. Researchers follow the definition of institutional investors by the Dutch Land Registry, that is, any for-profit business entity owning more than 500 housing units. Among the remaining 60 percent with smaller portfolios, most business entities own fewer than 50 properties.

A significant benefit of the Dutch setting is that robust administrative data from Statistics Netherlands allow for the characterization of property owners and their residents. Exhibit 1 compares properties owned by owner-occupants with various types of rental properties, including properties owned by housing associations, properties owned by institutional investors, and properties owned by private individuals with two or more rental properties. The reference date is January 1, 2023. Rental properties owned by business entities with fewer than 500 properties and second properties of private individuals are omitted from the exhibit. For reference, statistics on buy-to-rent properties appear in the final column and are defined as rental properties bought by any type of investor from an owner-occupant after 2009.³ These types of purchases have been the main subject of government policy. On the basis of this definition, about 8 percent of private rental properties in 2023 were buy-to-rent properties. Most of these properties are owned by private individuals; institutional investors are minimally active in this market.

Exhibit 1

Characteristics of Properties and Residents, by Owner

	Owner Occupant	Rental Property			
		Housing Association	Institutional Investor	Private Individual	Buy-to-Rent
Median Property Value	385,000	235,000	320,000	252,000	267,000
Median Taxable Income	65,551	25,789	45,691	29,784	31,473
Number of Residents	2.52	1.88	1.88	2.01	2.20
% Foreign-born	8.7%	25.4%	22.8%	38.1%	41.7%
% Young Adults (18–25)	8.8%	9.8%	9.4%	23.2%	21.1%
% Moved in 2023	6.7%	9.9%	17.5%	29.9%	31.9%

Note: Data as of January 1, 2023.

Source: Computations Based on Non-Public Microdata of Statistics Netherlands

Significant differences emerge in the properties and their residents according to the type of owners. Owner-occupied properties, unsurprisingly, are expensive and cater to higher incomes, whereas housing association properties are cheaper and cater to lower-income residents. Even more interesting are the significant differences between institutionally owned rental property and investment property owned by private individuals. The latter caters to much lower incomes, often young adults and immigrants, and experiences the highest turnover rates. Because private

³ Identifying buy-to-rent properties in the data of properties bought before 2009 is not possible because data on investor purchases is not available before 2009.

individuals buy most buy-to-rent properties, residents of those properties are most similar to the average residents of rental properties owned by private individuals.

The different types of owners largely drive these differences in the composition of residents. Because these statistics are based on the supply of properties, they do not explain what happens when different types of owners own similar properties. To investigate this issue in more detail, the author looked at every property sold between 2020 and 2022 and its buyer and used administrative data to identify the residents living in the property 1 year after the transaction date.⁴

The author determined each household's position in the 2022 distribution of disposable household income (in percentiles).⁵ Households are defined as persons who live together in a property and take care of each other's needs. For every property, the total number of residents present was counted. Finally, for every resident, the author determined whether they were born abroad, were aged 18 to 24 (for adults only), and had moved out of the property within 1 year of moving in. Controlling for a wide range of property characteristics, including the tax value, energy label,⁶ neighborhood, property type, square footage, and building year, the author then compared whether similar properties housed different residents based on ownership typology. The results are in exhibit 2, with properties owned by institutional investors serving as the baseline.

Exhibit 2

Characteristics of Properties and Residents, by Owner, Regression Analysis					
	Income (Percentile)	Residents (Percentile)	Foreign- born	Young Adult	Moved Within 1 Year
Owner-Occupant	13.34*** (0.430)	0.112*** (0.018)	0.052*** (0.006)	0.035*** (0.005)	0.001 (0.003)
Private Investor	-5.149*** (0.461)	0.493*** (0.019)	0.229*** (0.006)	0.182*** (0.005)	0.088*** (0.003)
Housing Association	-3.50*** (0.473)	0.189*** (0.020)	0.082*** (0.007)	0.002 (0.005)	-0.005 (0.003)
Property Controls	Yes	Yes	Yes	Yes	Yes
Neighborhood Fixed Effect	Yes	Yes	Yes	Yes	Yes
Observations	686,301	686,975	1,624,197	1,272,404	1,559,614
R2	0.341	0.238	0.174	0.060	0.056

*** $p < 0.01$.
Source: Computations based on non-public microdata of Statistics Netherlands

In exhibit 2, column 1 (Income) shows that owner-occupied households have incomes 13 percentiles higher in the Dutch income distribution compared with households in properties owned by institutional investors who are similar on observables. On the other hand, households in properties owned by private individual investors and housing associations have lower incomes compared with those residing in properties owned by institutional investors. Column 2 shows that

⁴ The author picked the 3 most recent years for which data were entirely available. Multiple years of transaction data were necessary to have a sufficiently representative sample of properties by different types of owners.
⁵ If household income were used, the results would be sensitive to how one records households reporting very low incomes.
⁶ In the European Union, all sold property is required to have an energy label based on a uniform scoring system that quantifies its energy efficiency.

properties owned by institutional investors house fewer residents compared with owner-occupied and association-owned properties. Properties owned by private individuals house, on average, 0.5 more residents. This finding relates to the fact that when compared with institutional investors, these private investors are about twice as likely to rent to immigrants (column 3) and young adults (column 4), who often share property. Institutional investors are more likely to own apartments that cater to seniors, which might explain why their properties have fewer residents who are also more likely to be native Dutch and older, even relative to owner-occupants. Resident turnover is also higher for rental properties owned by private investors, with tenants 9 percentage points more likely to move in 1 year (column 5).

Exhibits 1 and 2 conclude that different types of owners cater to different types of residents, and many of these differences persist even if one adjusts for property characteristics. This conclusion implies that the effects of policies aimed at affecting the purchase activity of investors likely depend on the type of investors targeted. In the U.S. debate, significant attention has focused on the role of institutional investors in driving local house prices and on gentrification, both in policy proposals and academic work (Austin, 2022; Gurun et al., 2023; LaPoint, 2022). However, these investors likely cater to very different residents compared with smaller-scale private investors. Although the buy-to-rent activity of institutional investors has been growing in the United States, most of the growth in U.S. buy-to-rent purchases has been driven by small- and medium-sized investors (Garriga, Gete, and Tsouderou, 2023). This growth is also the case in the Netherlands, and the activity of small- and medium-sized investors has driven various policy measures.

Restricting Buy-to-Rent Investors

In the late 2010s, the growing activity of investors became an increasing subject of public concern in the Netherlands. After the great financial crisis, the investment opportunities for housing associations had been curtailed significantly, and rent regulations were relaxed for the private sector, providing room and incentive for growth. During this period, the Dutch government was eager to provide more room for the market, and taxes on housing associations were deemed acceptable to reduce the fiscal deficit. Between 2012 and 2023, the share of private rentals rose from 11 to 14 percent of the total housing supply, and the share of housing association rentals declined from 31 to 28 percent. Although homeownership rates did not decrease overall, the homeownership rates of young adults reduced significantly, whereas those of seniors increased (Hochstenbach and Arundel, 2021). Various measures that curtailed mortgage credit for new owners likely contributed to this development (Gabarro et al., 2024; Rouwendal, Sniekers, and Jia, 2023). As house prices rose, politicians were increasingly worried that first-time homebuyers were getting outbid by investors and were subsequently forced to rent previously owner-occupied property at high prices rather than owning a home. These concerns led to several policy changes.

The first policy change occurred on January 1, 2021, with the so-called “transfer tax differentiation.” This policy increased the real estate transfer tax for investors from 2 to 8 percent but exempted homebuyers younger than 35 from the transfer tax for the first property they would buy, provided they were going to live in it. Later, this exemption was restricted to property purchases below a

specific limit (currently 510,000 euros). On January 1, 2023, the transfer tax for investors was increased to 10.3 percent as part of an effort by the government to raise more tax revenue.

Second, the government introduced a new law on January 1, 2022, that provides municipalities with a new policy tool to prevent investors from purchasing affordable owner-occupied housing. Under this new law, municipalities can prohibit investors from renting out any property bought from owner-occupants for 4 years after purchase. The policy effectively bans buy-to-rent purchases, with only a handful of exemptions to the law, such as renting to a first-degree family member. The ban applies only to properties sold by owner-occupants after the local introduction date, so it does not affect the existing rental supply or newly constructed property.

To implement the ban, municipalities must designate an area where the ban applies and a tax value limit below which it applies. In the Netherlands, any property has a tax value that equals the property's estimated market value on January 1 of the previous year. Although the law does not stipulate which limits municipalities should set, it requires municipalities to defend their choice of what they deem appropriate because the ban can legally be applied only to reduce the shortage of affordable owner-occupied housing or to improve neighborhood livability. Governments do not have to justify why achieving these goals is more important than reducing the shortage of rental housing through buy-to-rent conversion.

At the time of writing, all large cities in the Netherlands (greater than 200,000 population) have implemented a ban, although some cities have done so more quickly than others. Private rental investors, unsurprisingly, are most active in big cities; therefore, large cities have adopted the policy relatively quickly. Approximately one-half of the mid-sized cities (100,000–200,000 population) have done so. Fewer small cities or towns have implemented a ban, and most that have are suburbs of major cities. Most cities apply the ban to the entire municipality and typically select a tax value limit close to the median local property value or use the limit for mortgage insurance, a national yardstick for affordable property. In 2022, this limit equaled 355,000 euros for every property; the ban accordingly typically covers only properties with below-average valuations. However, because most buy-to-rent properties have low valuations (exhibit 1), the ban covers most buy-to-rent purchases.

The Effect of the Ban: Trends in Investor Activity

Exhibit 3 shows the monthly number of affordable properties that investors have bought from owner-occupants in the Netherlands (Francke et al., 2025). The exhibit follows “treated” and “untreated” properties before and after the law’s introduction. Treated properties are properties that, on the basis of their location and tax value, become subject to an investor ban at some point during 2022 and 2023. Untreated properties are never subject to the ban, either because they are not in an area that has introduced the ban or because their property values are too high. The comparison in exhibit 3 includes only “affordable” properties in cities, which are defined as properties with a tax value below the national limit for mortgage insurance.⁷ The introduced buy-to-rent bans target this

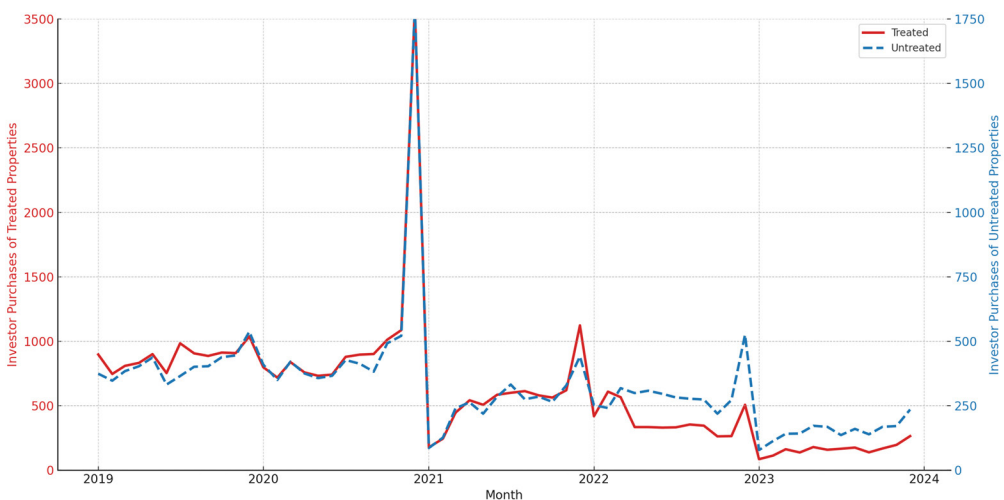
⁷ The author uses the 2022 limit and restricts to properties in the 44 largest cities with a 2022 tax value below 355,000 euros, which is close to the average sales price in this period.

segment. Because most cities introduce a ban, the number of pre-ban investor purchases is larger in the treated group compared to the untreated group.

Most important, trends in investor purchases for treated and untreated properties were similar until late 2021, suggesting that the drop between 2022 and 2023 likely reflects a causal effect of the ban reducing purchases of treated properties. Note that the number of treated purchases drops only gradually because municipalities gradually introduce their buy-to-rent bans. Investor purchases of treated properties also never reach zero because non-rental investment (e.g., fix-and-flip activities) remains possible, and only a limited number of exemptions to the ban exist.

Exhibit 3

Investor Purchases of Affordable Urban Properties in the Netherlands, 2019–2023



Source: Author calculations based on data from Francke et al. (2025)

In addition to the differences between treated and untreated properties, large swings in investor activity have occurred. In particular, three distinct peaks in investor activity, which likely relate to the anticipation of government policies, are present. First, investor purchases greatly increased in December 2020 because investors anticipated a large increase in transfer tax from 2 to 8 percent. Second, a peak in December 2021 likely reflects anticipation of the introduction of the investor ban. In September 2021, many large cities announced to the national media their plans to introduce the ban, but the cities did not start announcing their actual policies and introduction dates until November 2021. Considering the time it takes to close on a property, many investors tried to buy property before January 1, 2022, to ensure that they would not be subject to the ban. Finally, another peak in investor purchases in December 2022 likely reflects anticipation of the increase in the transfer tax for investors to 10.3 percent.

Beyond the reduction in purchases of treated properties, a significant decrease in the number of untreated properties occurred. First, the real estate transfer tax increases increasingly make rental investment unattractive, implying that investor purchases in 2021 never recovered to their

pre-2021 levels. As such, the transfer tax increase likely prevented investors from purchasing many properties. Second, the European Central Bank increased policy interest rates rapidly during 2022, and these hikes might have reduced the purchase activity of investors more quickly compared with owner-occupant purchases. For example, because of generous mortgage interest deductibility and amortization requirements, the mortgage payments of regular homebuyers typically increased less than those of investors. Finally, in 2023, the taxation of private rental investors increased significantly, and the government also announced plans to extend and strengthen rent regulation, effective July 1, 2024.

Measuring the Causal Effect of the Ban

Because the ban coincides with several other changes in the housing market and is mostly introduced in areas with high investment activity, evaluating the causal effect of the ban is not straightforward. Researchers are conducting an ongoing evaluation of the policy, and the main results of this investigation are summarized here (Francke et al., 2025). Because the policy and the researchers' evaluation are ongoing, the results of this article are subject to change.

Francke et al. (2025) rely on several methodologies to measure the effect of the policy. First, their main specification focuses on Rotterdam, the second-largest city in the Netherlands and the only major city to introduce the policy in specific neighborhoods. This specification allows researchers to compare properties in treated neighborhoods with properties in untreated neighborhoods with similar *ex ante* purchase activity of investors. Second, the authors exploit differences in introduction dates of the policy across cities, comparing purchase activity in cities that have introduced a ban with cities that have not yet done so.

Effect on Transaction Activity

Francke et al. (2025) find the policy to be effective in reducing investor activity both in Rotterdam and at the national level. In both samples, investor purchases reduce to about 25 percent of their pre-policy level. The remaining investor purchases are likely non-rental investments or, in some cases, purchases exempt from the policy. More than one-half of the properties that investors would have bought are now purchased by first-time homebuyers, indicating that the policy effectively boosts their purchase activity. Because *ex ante* investor activity varied locally, the absolute reduction in investor purchases and the corresponding increase in first-time buyer purchases also varied locally and over time. For example, in the 6 months before the introduction of the policy, around 30 percent of treated properties in Rotterdam were bought by investors compared with less than 10 percent nationally. In 2023, the effect of the policy weakened significantly because investors stopped buying buy-to-rent properties across the board (exhibit 3), implying that the ban has only a small additional impact.

Many regulations that typically apply only in certain areas and not in others produce spillovers. In this case, one might expect that if investors are banned in one neighborhood, they simply move to another neighborhood. Francke et al. (2025) do not find strong evidence that such spillovers were economically significant. For example, untreated neighborhoods with high investor activity in Rotterdam do not observe increased activity of investors following the ban. This occurrence is

relative neither to other untreated neighborhoods in Rotterdam nor to other cities that have not yet implemented the ban. This finding might relate to the fact that investor purchases are generally trending downward in this period, possibly due to changing economic conditions and policy changes causing investors to exit the market more broadly. An investor who previously planned to buy property in an area that has become subject to the ban may decide not to invest in buy-to-rent property at all.

In conclusion, the ban is effective at reducing investor purchases and increasing the share of first-time buyers, as intended, but the magnitude of these effects depends on investors' overall activity, which varies both across locations and over time.

Effect on House Prices

Perhaps somewhat surprising, Francke et al. (2025) find that the ban has little impact on house prices.⁸ If anything, the paper finds a modest temporary increase of about 1 percent in house prices in neighborhoods subject to a ban, which disappears in 2023 when the ban's impact lessens. This price effect is difficult to estimate precisely. It is based on comparing house prices in treated neighborhoods with those in comparable untreated neighborhoods and thus measures only the local price effect of investors. The presence of investors may lead to higher house prices in the entire market, but this hypothesis cannot be tested in the data. However, the lack of a downward price effect locally suggests that investors were not contributing to increasing local house prices, at least in the period around the ban's introduction.

Although banning investors reduces the demand for owner-occupied property, Francke et al. (2025) point to several counterbalancing mechanisms for why the effect on local house prices might be more low-key or trend in the opposite direction. Price effects might also depend on the stage of the housing cycle. First, investors might offer more attractive secondary bidding conditions, which allows them to secure property at lower prices. Such conditions include more flexibility on the property transfer date or lower risk because regular owner-occupants' bids are typically made conditional on the buyer obtaining mortgage financing. For sellers, such clauses are a source of risk, particularly in an environment with rapidly increasing interest rates. Most important, banning investors might increase demand from owner-occupants at the neighborhood level if they perceive buy-to-rent properties and their residents as a non-amenity. The Dutch government explicitly stated that municipalities could introduce the buy-to-rent ban to improve neighborhood livability; hence, many resident organizations in Rotterdam lobbied to expand the ban to their neighborhoods, citing examples of how residents of buy-to-rent properties affected their neighborhood. These actions suggest that buy-to-rent properties also result in a change of residents.

Effect on Residents

Francke et al. (2025) examine how the ban affects which type of residents live in properties subject to the ban. In line with the evidence provided in exhibit 2, the researchers provide strong evidence that banning investors induces gentrification of neighborhoods. First, after the ban's introduction,

⁸ The authors of that paper also initially investigated the effect on rental prices based on a set of listings data and found positive price effects. However, those findings could not be replicated on a set of listings data from another rental provider that became available later and thus have been omitted here.

residents of sold treated properties have significantly higher incomes compared with residents of similar untreated properties. This effect is driven entirely by investor-owned properties catering to residents with significantly lower incomes. Regarding personal income, the average buy-to-rent resident ranks at the 40th percentile of the personal income distribution. In contrast, the average owner-occupant of the same property ranks around the 60th percentile of the income distribution. These rankings show that banning investors induces a shift toward higher-income residents. Because the types of property that investors buy typically cater to single-person households, these individuals also rank significantly lower in the distribution of household income. About one-half of this income effect is driven by investors being less likely to cater to residents who do not work, such as students or residents receiving government benefits. The remainder of this income effect is driven by the fact that those residents who do work earn less.

In line with the correlational findings in exhibit 2, Francke et al. (2025) also show that banning investors reduces the number of occupants of properties because treated properties have 0.3 fewer residents compared with owner-occupied properties. In that sense, banning buy-to-rent properties increases the housing shortage because it leads to less intense use of properties. In the same fashion, the ban might also reduce overcrowding. Researchers cannot measure this effect in the Dutch setting because housing regulations typically do not allow more than three adults to be registered in a single housing unit, implying that any overcrowding is illegal and cannot be observed in the administrative data.

Finally, residents of buy-to-rent properties are about twice as likely to be born outside the Netherlands and live about 40 percent farther from their previous property, and they are less likely to be young adults. Therefore, implementing a buy-to-rent ban ultimately favors local residents who are more likely to be able to find and afford owner-occupied property.

From a neighborhood point of view, residents might perceive these developments as favorable because preventing buy-to-rent conversions leads to an increase in local residents with higher income who remain in the neighborhood longer. Nonetheless, from a societal point of view, these developments should be monitored critically because buy-to-rent properties also ultimately allow diverse populations to find their place in the neighborhood. In that respect, banning buy-to-rent properties locally makes finding housing more difficult for groups who already face more challenges in the housing market. Unfortunately, examining exactly to what extent these groups were able to find housing after the ban was implemented and where they did find it is not possible.

Public Perception and Empirical Findings

To some extent, these findings counter the public narrative about the growing role of investors in the housing market. Investors often are associated with rising prices and growing gentrification. How can one understand this disparity? What is important to remember is that growing investor activity can coincide with other changes in a neighborhood. For example, if investors believe that a neighborhood is starting to gentrify, they could buy a set of owner-occupied properties in this neighborhood, renovate or redevelop these properties into higher-quality units, and subsequently rent them out. If the investors are successful in such efforts, these units will likely have high rental prices and attract higher-income residents, and the investor will post strong returns; in this case,

increasing investor activity will likely accompany growing prices and gentrification. However, to what extent this result is caused by investors renting out these properties rather than selling them to owner-occupants is impossible to establish because the growing investor activity goes hand in hand with a growing demand for neighborhoods to house higher-income residents and improve property quality.

Francke et al. (2023) circumvent these issues because such developments do not correlate with the introduction of local buy-to-rent bans. What is also important to keep in mind is that buy-to-rent investment refers to the conversion of existing owner-occupied property to rental property. These properties are typically older and of lower value and thus more likely to cater to lower-income residents. Build-to-rent investments—constructing new properties or entirely redeveloping existing ones—might attract higher-income residents because newer units are typically of higher quality. However, Francke et al. (2025) do not study such investments because the buy-to-rent ban applies only to existing units.

Conclusions and Policy Implications

In the Netherlands, policymakers have tried to curtail buy-to-rent investor activity by increasing the transfer tax and allowing municipalities to ban investors from renting out properties bought from owner-occupants. At face value, these measures have been effective in reducing investor activity and increasing the likelihood that first-time buyers are able to buy these properties. However, these policies do not appear to have had a large impact on the evolution of house prices. In summary, restricting buy-to-rent investors does not seem to be a suitable policy tool to improve housing affordability.

Most important, measures that restrict investors' ability to buy owner-occupied homes significantly affect the type of residents living in these properties. On average, buy-to-rent conversions occur in the lower tiers of the housing market. Renters looking for housing in this segment generally do not have sufficient income or wealth to buy property or do not (yet) want to do so. The Dutch evidence shows that banning buy-to-rent conversions leads to fewer entries of low-income residents in these properties, often young adults and migrants from other cities or countries. In other words, banning buy-to-rent investors fuels gentrification. On average, buy-to-rent properties house more residents compared with owner-occupied properties, implying that such actions force some individuals to look for housing elsewhere. An important fact is that the Dutch ban allows studying short-term effects when only a small part of the total housing supply changes hands. In the long term, such a policy might significantly affect prices and neighborhoods, but these outcomes cannot be studied yet.

To put these findings into the American context, one must understand that the Dutch ban targets buy-to-rent purchases, most of which are made by private individuals, and they typically buy lower-priced units that they rent out to residents with comparatively low incomes. In North America, much of the policy debate around housing investors has focused on large institutional investors, and current policy proposals, such as the “End Hedge Fund Control of American Homes

Act,”⁹ target those investors. These investors and the residents they cater to are not representative of buy-to-rent investment in general. For example, exhibit 2 shows that such institutional investors target more high-income, stable residents compared with typical buy-to-rent investors and cover only a small fraction of the market. This fact implies that the activity of institutional investors might also have different effects on prices and residential composition. Although the evidence in this article comes from the Netherlands, such a distinction may also be present in the United States (Garriga, Gete, and Tsouderou, 2023).

The final conclusion presented in this article is that the effect of investors ultimately depends on what the investors do, who they are, and whom they target. Policymakers should consider these facts when designing policy. If investors buy distressed or low-income rental properties to upgrade and rent them to higher-income residents, this activity could lead to higher prices and gentrification (LaPoint, 2022). In the Dutch case, the growth of buy-to-rent investments likely resulted from shortages of social housing, which increased demand for private rental housing. The entry of buy-to-rent investors increases the housing supply available to residents with lower incomes, so banning these investors hurts low-income residents the most. This scenario might be particularly representative of investor activity in the United States, where a large social housing supply is absent.

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