Borradores de Economía - House Prices and International Remittances: Evidence from Colombia

Download Keep in mind
The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR Basco, Sergi Ojeda-Joya, Jair Neftali
The series Borradores de Economía (Working Papers on Economics) contributes to the dissemination and promotion of the work by researchers from the institution. On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. This series is indexed at Research Papers in Economics (RePEc). The opinions contained in this document are the sole responsibility of the author and do not commit Banco de la República or its Board of Directors.

Publication Date: Friday, 12 of July 2024 **Abstract**
This paper empirically examines the effects of international remittances on local house prices. International remittances are one of the main drivers of capital inflows in emerging economies. We consider the salient case of Colombia. In the last two decades, remittances have represented, on average, 2% of GDP. One main advantage of studying the Colombian housing market is that we are able to construct a panel of housing returns at the project level. By exploiting the regional and temporal variation of international remittances, we document that they have large heterogeneous effects across regions and housing types. In particular, we find that remittances inflows have positive effects on house prices growth in high unemployment municipalities and low-quality housing. These results hold when considering an IV-strategy using remittances to Latin America countries (excluding Colombia). We develop a stylized model with borrowing constrained households and segmented housing markets to rationalize these results. Our findings suggest that international remittances are an important source of liquidity for credit constrained households.

Fuente: https://www.banrep.gov.co/en/borradores-economia-house-prices-and-international-remittances-evidence-colombia