

Abstract

As real estate is an important part of the wealth composition of households, this Master's thesis focuses on this asset class in particular. The main focus hereby lies on the impact of the financial stimulus that was observed throughout 2020 and how it might have affected housing prices in various European countries. For this the thesis runs a Vector Error Correction Model with the following independent variables: population, exchange rate, inflation, short-term interest rate, unemployment rate and the compensation of employees. The time frame for this regression is restricted to 2000Q1 to 2019Q4 in order to exclude the housing price development throughout 2020 that is already affected by the financial stimulus. These regression results are then used in combination with the 2020 actuals of all independent variables to approximate the expected housing price without financial stimulus. This gives an indication of a potential overpricing in the markets and provides an understanding of how financial stimulus might be connected to housing prices. Another analysis in this thesis then provides an understanding of the leader-follower relationship of housing prices and rental prices and provides an analysis on how this might be connected to the level of home ownership in a particular market.

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Keywords	Real Estate, Covid-19, Financial Stimulus
Title	The effect of monetary stimulus on housing prices and the relationship of housing and rental prices in European countries