



BANCA D'ITALIA  
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# Temi di discussione

(Working Papers)

Foreclosures and house prices

by Michele Loberto

March 2021

Number

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# FORECLOSURES AND HOUSE PRICES

by Michele Loberto\*

## Abstract

This paper studies the impact of foreclosures on house prices in Italy using a large dataset of listings. We estimate that the foreclosure discount is considerable, and this would suggest a high degree of market segmentation and limited spillovers from foreclosures to the market for non-foreclosed homes. However, we find that the entry of foreclosures into the market increases the propensity of home sellers to adjust their list price. Moreover, foreclosure listings have a significant and negative impact on the prices of non-foreclosed homes nearby. Our evidence is quantitatively consistent with the recent literature on the impact of foreclosures on the US housing market.

**JEL Classification:** R31.

**Keywords:** house prices, foreclosures, neighborhood effects.

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