Abstract
We use a panel VAR to study the effect of shocks to capital inflows, identified with sign restrictions, on the housing market in OECD countries. To explore how the effect of these shocks changes with the structure of the mortgage market and the degree of mortgage securitization, we allow the VAR coefficients to vary with mortgage market characteristics. Our results indicate that capital inflows shocks have a significant and positive effect on real house prices, real credit to the private sector and real residential investment. The response of these variables is stronger in countries with more developed mortgage markets and in countries where securitization is allowed. (JEL: C33, F32, G21)