

Comments on “Bank Lending Channel of Real Estate Prices (Makoto Hazama, Kaoru Hosono, and Iichiro Uesugi)”

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Contributions of the paper

- I enjoy reading this promising paper
- Positive relation between collateralized loan (total loan, loan to real estate and construction industries, bank capital ratio) and public notice of land price
- But negative relation between collateralized loan (loan to real estate and construction industries) and transaction price of land
- Examine collateral channel, lending channel but no crowd out effect
- Difference between two land prices

Comments

- Examine the time lag between the changes of public notice of land price and transaction price of land in detail
- Any difference between a regression of a loan variable on transaction price of land_{t-1} and the regression of the same loan variable on public notice of land price_{t-(1+time lag)}
- If the difference between public notice of land price and transaction price of land remains, examine the robustness

Comments

- How robust are collateral channel, lending channel and the differences?
- Examine the relation between changes in share of collateralized loan (loan to real estate and construction industries) and changes in land price (public notice or transaction based): dynamic panel
- How do banks balance loan portfolios: public notice of land price vs. transaction price of land? How to test it econometrically?

Suggestions

- The focus of the paper: the difference between public notice of land price and transaction price of land or bank lending channels of land price
- The link of zero interest rate policy and abundant liquidity to crowd in effect (Farhi and Tirole, 2012) before 2007: Morgan Stanley bought ANA hotels from ANA in 2007 and borrowed 270 billion yen from Citibank Japan, Shinsei Bank and other banks
- In 2010, Morgan Stanley renewed the financing with Shinsei Bank but Citibank Japan did not participate in the refinancing

Suggestion

- Dynamic effect: the loan still outstanding at the end of FY 2009 for Citibank Japan and Shinsei Bank
- Asymmetric effect of land price: Shinsei Bank participated in the refinancing and thus it increased its real estate loan regardless of substantial drop in land price after the financial crisis
- Increases in loan to real estate investment till 2007 and adjustment since 2008: abundant liquidity boosting up land price and rebalancing in response to the adverse shock on land price since 2008
- Japanese banks learned from the 1990 experience and it resulted in relatively slow expansion: the adjustment depends on the expansion before 2008

Suggestion

- Identify syndicated loans for real estate transactions and the linkage between land price and new syndicated loans for real estate transactions: abundant liquidity
- Renewal of syndicated loans for real estate transactions and land price: zombie lending?
- Privately placed debt for real estate investment
- Investment by nonconventional investors such as private equity funds and REIT and bank lending: “yen carry trade” like arbitrage, speculation or gamble?

Suggestion

- Using financial data of firms to examine lending channel to real estate investment: real estate firms, construction firms and J-REIT before and after 2008; bankruptcy filings of real estate firms after 2008
- Non-real estate firms: financial constraints and collateral channel before and after 2008
- Detailed land and real estates pledged for collateral of firms: too hard to do?
- A promising research avenue and good luck!