

Comments on: "How Inheritance Affects the Real Estate Market in an Aging Economy: Evidence from Transaction and Registry Data"

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Summary of the paper

⊙ **Housing supply shocks**

- › Due to the deaths of existing owners and subsequent sales of inherited properties
- › Have any impact local housing prices?

⊙ **Potential implications**

- › Impact of population aging on the housing market
- › Price responses to the exogenous supply shocks

Summary of the paper

◎ **Main empirical findings:**

- The incidence of inheritance actually increases the number of properties for sale in the local district
- A larger number of properties for sale leads to drops in transaction prices in the district
- Heterogeneous impacts depending on the land-use regulations

Summary of the paper

◎ Overall...

- › I learned a lot from reading the paper.
- › It provides the **convincing identification of housing supply shocks** with the **novel combination** of transaction and registry datasets in the housing market.

Discussion Points

- ◎ Focus of my comments:
 - > Theoretical underpinnings
 - ✓ What sort of price “responses” can be identified?
 - > Potential implications of the results
 - ✓ What can be said about the impact of population aging?
 - > More on technical comments...
 - ✓ Validity of the incidence of inheritances as IV
 - ✓ Land-use regulations and demand elasticity

Comments (1): Theoretical underpinnings

- ⊙ In a canonical version of Rosen's (1974) hedonic model...
 - > Housing is a differentiated product, and the hedonic function is determined so as to equate supply and demand for each type of housing unit elsewhere in the attribute space
- ⊙ Exogenous increase in the supply of specific type of housing...
 - > Most likely decreases the price of similar housing units
 - > Effects on other types of housing units as well as the average price level?

Comments (2): Implications of the results

- ◎ Overall impact of population aging...
 - › Depends both on declining demand and **increasing supply**
 - › Current paper touches on the latter aspect but not on the former
 - › Better to put more emphasis on the identification of housing demand elasticity?
 - › Comparison with previous findings?

Comments (3): Incidence of Inheritance as IV

- ⊙ Realty owners' deaths and subsequent inheritances are unpredictable...
 - > Yes, but at the aggregate level the incidence of inheritances is related to demographic composition or other characteristics of local neighborhood
 - > Figure 1(b) suggests that the incidence of inheritances is concentrated in certain areas

Comments (4): Demand elasticity and land-use regulations

- ⊙ Demand elasticity can depend on the degree of substitutability across properties
 - > Land lots in less regulated areas are more likely to be substitutable?
 - > Can this also explain the opposite results for detached houses and condos?