

RESEARCH ON ASSET VALUE OF RESIDENTIAL HOUSING

Research on Sustained Increases in Asset Value to Support the RMBS Market

Summary

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Japanese housing loans are “credit loans” (recourse loans). What this means is that residential housing has no full value as collateral, since the purchased housing itself can become undervalued, thereby failing to maintain its full collateral value. What has become a huge problem that represents a serious loss for the people of Japan is the creation of loan schemes backed by purchases of housing without full collateral value. In principle, loans of extremely large amounts should both accumulate and increase in value on the housing, and also the subject housing should be able to be sold, repurchased, refinanced, etc. if the need should arise. At its core, a housing loan must be a “mortgage loan” in which the value of the subject housing serving as collateral and value of the loan obligation are equal. The housing-loan market has entered a new stage where, the market is turning into securitization market, with the housing, being the asset underlying the housing loans, having no full collateral value. As seen with the sub-prime loan problem, loans have been bundled into complicated and sophisticated securities that allow risk to be spread, and with this, risk management has become increasingly difficult. Given the international and seamless nature of the economy as it has evolved, from this point forward, issuances in the basic form of RMBS are highly likely to experience greater and greater risk over the years. This would occur in conjunction with higher default rates that result from any difficulties over the long term in repaying housing loans since the public’s disposable income may not necessarily increase, and also in conjunction with higher default rates that result from declines in the value of residential property attributable to depreciation.

With the concerns for environmental problems and life in the future that now exist, there is a greater focus on the issue of increasing the asset value of residential housing among the government, the citizenry and the housing industry. The next 10 years in which certain amount of new demand is projected to materialize will be the final opportunity for residential housing to be regarded as assets. In other words, there is a pressing need for mortgage loans that provide for the formation of sustainable housing and residential environment that support the value of the asset at an adequately affordable level.

For this reason, it is imperative to be able to not only satisfy the functions and performance necessary for housing and residential environment, but to vest in autonomous area management conducted by parties holding ownership, lease and other related rights to carry out management and operation of the design and residential environment itself on a continuing basis in order to obtain long-lasting appraisal rooted in the area. To bring this about it will be necessary to involve a host of industries and organizations across a number of areas relating to residential housing from the design and construction stages through circulation, financing and management of maintenance and operations, and also parties such as government, public and private financial institutions, architects, builders, developers, brokers and management firms.

The purpose of this paper is to analyze the current condition and the problem of the housing financial system of the United States and propose the necessity that integrates related principal fields and systems to create residential value that is based on asset value of housing in its original sense. This would be a system that provides all of the various functions, including such systems as the financial system, design and construction systems, area management system and community revitalization system.