

Studies on Housing Demand Behavior under the Housing-Loan Scheme

(summary)

Atsuyuki Fukaura

Nagasaki university

The purpose of this study is to examine the effects of the Flat 35 on housing demand behavior in Japan from the theoretical and empirical aspect. Flat 35, established in 2006, is completely different scheme from the former housing-loan scheme because the originated loans are to be securitized under Flat 35.

As to the effect of the type of housing financing system on the national economy, our theoretical model concludes that if the firms can produce the housing service more efficiently than the household and if the household can get the liquidity as a mortgage, then household can enjoy more housing service, which means the mortgage backed security market contributes to the national economic welfare. In other words, the nationwide housing loan scheme together with the mortgage market are purely important as the liquidity channel which makes the housing service demand effective.

In order to support these theoretical implications, we conduct the factor analysis by using the detailed data set provided by Japan Housing Finance Agency. Our results indicate the housing demand behavior is characterized by “self-finance/ borrowing factor”(the borrowing possibility of the residential buyer) and “possible necessary factor” which reflects the technical aspects of house. Then, we obtained the following results about the influence of these factors. Main findings are : (1) the long-term debt service capacity is seriously considered than the temporary borrowing ability, (2) the apartment house purchasers regard the urban-life convenience as most important decision factor, at the cost of the space, the room arrangement etc, (3) after the introduction of flat 35, individual house buyers have been getting to attach the importance to the financial factors, (4) the buyers in the metropolitan area are relatively prudent to borrow in comparison with the non-metropolitan buyer, that implies that the benefit due to the service of the financing of housing system becomes large in the metropolitan area.

In short, in the financial scheme design for the housing, we have to remember the most important is to construct the structure which channels the social benefit of the loan-securitization into housing service purchasers and improves their borrowing ability in the long run. In that sense, it is proper direction to expand the finance to the apartment buyer of the regional hub city, because such a people has a tendency to consider the financial factor as a primary factor that affect deeply their decision

making.