Feature Articles

This month's focus: Real Estate Investment: from Establishment of J-REIT Market to Post COVID-19 Era

History of Real Estate Securitization Market and Future Issues

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Japan's real estate securitization market, which has expanded rapidly since the latter half of the 1990s, has now grown to over 40 trillion yen. The main reason for this is the fusion of real estate and finance through the market, and the creation of a fund pipe that flows directly from the financial market into the real estate market. It cannot be overlooked that market participants have been actively working on investment in growth fields and diversification of financing while improving the market base. There is a lot of room for further market expansion if we respond appropriately to the issues.

Should Real Estate be Included in Alternative Investments?

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Real estate investment is usually included within alternative assets in pension asset allocations. However, it is time to establish a new asset class, such as "Low Liquidity Assets", and reconsider pension asset allocation as a whole. When investing more in real estate, we need to consider diversification of investment methods, property types, etc., in addition to a proper way of rebalancing, which are so different from considerations applied to traditional pension investments in listed securities, and we may thus want to reconsider the traditional asset allocation of pension investments.

Analysis of J-REIT Share Repurchases

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We have been observing share repurchases in J-REIT markets since 2017, and this paper explores the impacts and motivations of share repurchases by utilizing three different approaches: event study analysis, Poisson regression analysis, and generalized extreme value analysis. Significant positive abnormal returns are observed, and the level of abnormal returns is larger than US cases in event study analysis. The main factor which initiated repurchases is a lower market average NAV multiple indicated by Poisson regression analysis using monthly market level data. As for idiosyncratic level, using generalized extreme value regression analysis, we show that lower NAV multiple and relatively larger size are common characteristics of share repurchase candidates.

Feature Articles

Evolution of the Property Market

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Twenty years have passed since the listed REIT market started. Both the property and financial markets have evolved significantly as they have become increasingly integrated. In the financial markets, the entry of assets with different risk structures to traditional investment targets such as equities and bonds has contributed to diversification and has acted to increase investment efficiency. This paper summarizes the contributions made to the property market by the growth of the property finance market.

Articles

Impact of Bank of Japan's ETF Purchase Program on Volatility of Tokyo Stock Exchange 1st Section Listed Stocks

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The paper measures the impact of the Bank of Japan's ETF Purchase Program on next-day volatility using the EGARCH model. The results show that volatility tends to be higher on average on the day following BOJ ETF purchases. The paper also examines the impact of ETF purchases during different periods, and finds that the impact is, on average, stronger during the early policy period. These results provide one perspective in determining whether BOJ's ETF purchases are excessive. This paper consists of a main text and an Appendix, with notes added where details are described in the Appendix.

Firm Maturation, Technological Competitiveness, and Default Risk

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In this study, we analyze the impact of maturation and technological competitiveness on the distance to default and the parameters contained within. The regression results, using long-term panel data of Japanese firms, show that maturation and technological competitiveness reduce total asset volatility, though they do not affect the distance to default. However, technological competitiveness works as a moderator to mitigate the negative correlation between a firm's maturation and total asset volatility, as well as the growth rate of total assets.