Discussion of
“Housing investment risk premium dynamics at the neighborhood level: the impact of the new mass rail transit line” by Tu and Wang

Discussion by:

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Summary

- TWFE analysis of changes in residential risk premia following new subway in Singapore
  - Contribution: Studies risk premia as a response (new outcome)
- Finds that risk premia increase in the short run, but recover to normal leverages in medium run
  - Robustness across several specifications and two measures of risk premia
- No evidence of anticipatory effects
- Suggestive evidence that transit development could lead to n'hood-level housing market bubbles

I. Make It Matter for Non-Finance People

Why are local/n'hood level housing price risk premia important? Why are transit expansion effects on premia important?

- Most people own housing for the >=medium run… do non-investors respond to risk premia?
- Make the case that this, in addition to capitalization, is first order!

Are we concerned about neighborhood-level housing bubbles? Spatial arbitrage occurs locally…

- Also, tie in better to literature: "little empirical evidence" on effects of rail?
    - Likely the modal empirical topic in urban economics

II. Mechanical Effects

Transit represents one-sided increase in price variability – it is an amenity so prices usually increase… should premia rise by default?

- How to deal with one-sided risk?

Shouldn't there be anticipatory effects?

- Model suggests that deviating growth in rent vs housing prices is driving differential premia…
- But this wedge should open up pre-transit opening, then close once transit opens
- Fesselmeyer and Liu (2018, RSUE) finds anticipatory effects of CCL opening

III. TWFE/Event Study

Bring econometrics to the frontier:

- Effects may not be ATE with staggered timing+heterogeneity
- Grouping many pre-periods together can also cause issues
- See Abraham and Sun, Calloway and Sant'anna, Borusyak et al.,