

Mobility-Tenure Decisions in Japan:
Identifying the Effects of Housing Equity Constraint and Income Shocks¹

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Miki Seko^a, Kazuto Sumita^{b,2} and Michio Naoi^c

a. Faculty of Economics, Keio University (seko@econ.keio.ac.jp)

b. Department of Economics, Kanazawa Seiryu University (sumita@seiryu-u.ac.jp)

c. Faculty of Business and Commerce, Keio University (naoi@2001.jukuin.keio.ac.jp)

Abstract

This paper draws on five waves of Japan household longitudinal data (Keio Household Panel Survey, KHPS) and estimates a conditional fixed effects logit model to investigate the effect of Japanese government policy on owner-to-owner residential moves. We examine whether housing equity constraints deter owner-to-owner residential mobility and whether government policy aimed at addressing this constraint has a timely impact on residential moves. The specific policy we examine is the implementation of the income tax deduction system that permits the carrying over of capital losses for owner-occupied households. These tax policies were devised to cope with the severe equity constraints that followed the bursting of Japan's asset Bubble in the early 1990s. We find that housing equity constraints deter residential moves and that government policy has an impact on residential mobility, especially in the same year and the following year after the introduction of this tax system. The implementation of an income tax deduction system linked to capital losses increases owners' mobility to another owner-occupied housing immediately after the introduction of this tax revision, especially for higher income households (often self-employed) when future housing price depreciation is anticipated.

JEL classification: R21, C41, G21, K21, H31

Keywords: Residential mobility, housing equity constraint, conditional fixed effects logit model, income tax deduction, capital losses, LTV, Japanese Bubble, owner-to-owner moves.

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² Corresponding Author. *Address:* Ushi 10-1, Kanazawa-shi, Ishikawa, 920-8620, Japan.