

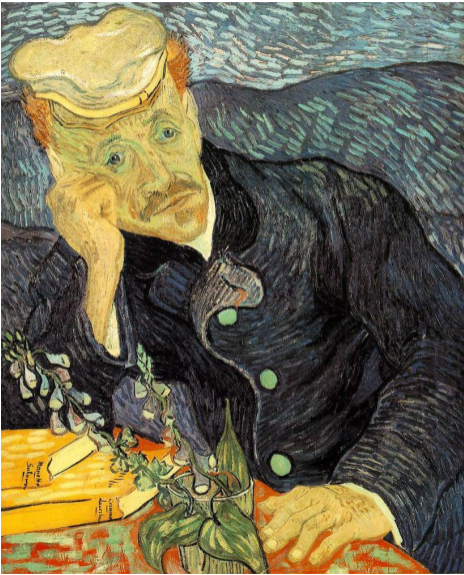
“The Commercial Real Estate Ecosystem”

by Ralph Koijen, **Neel Shah**, Stijn Van Nieuwerburgh

Discussion by Christophe Spaenjers (CU Boulder)

WFA
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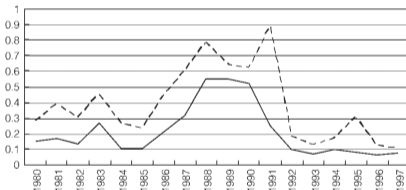
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FIGURE 2

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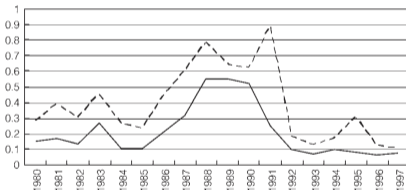
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- ▶ “We find that the demand for art by Japanese collectors is positively correlated with art prices and Japanese stock prices. This correlation... gains even further strength for works of art typically favored by Japanese collectors.”

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- ▶ Relatedly, evidence of segmentation—possibly because of variation in preferences—based on investor and asset characteristics (e.g., Ghent, JFE 2021; Cvijanovic et al., JREFE 2022)

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- ▶ If so, we can potentially measure and include other relevant investor characteristics in the model

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- ▶ Ultimate goal is model that can also explain liquidity measures such as TOM and price dispersion

Food for thought

- (i) To what extent does this model apply to residential real estate market? Relatedly, what if there are many substitutes for the asset?
- (ii) Systematic differences in bargaining power or intensity between investor types?
- (iii) Role for middlemen/arbitrageurs?
- (iv) How should we think about appraisals in a world with “potential price distributions”?
- (v) Where to direct search is a choice. How should we think about correlation with beliefs about payoffs?

Minor points (for authors only)

- (i) In the last lines of Section 2, there are two references to $\pi_n(b, s)$. Shouldn't this be $\pi_n(s)$?
- (ii) You write (p. 29): “Positive (negative) SHAP values indicate that a higher feature value increases (lowers) the price.” But take the top left panel in Figure 6. The negative value for lower investor size means that smaller investors have lower valuations, not that a higher feature value (i.e., larger investor size) *lowers* prices for smaller investors?
- (iii) I thought the negative valuation gap in Figure 11 is striking and surprisingly large—is it realistic that non-buyers have valuations that are so much lower on average, in particular for operationally not very complex assets like apartment buildings?
- (iv) You write: “Across all sectors, the true buyers exhibit consistently higher valuation gaps than the other potential buyers. This reflects not only the model’s ability to select the correct buyer, as noted above, but also reinforces the model’s assumption that matches occur when buyers perceive gains from trade.” I understand the second point but not the first one, as the valuation gap between the true buyer and other buyers does not seem to depend on the model’s ability to select the correct one? But maybe I’m missing something.

Final thoughts

- ▶ A paper that we needed
- ▶ ...and that will spur much more work

