Discussion on Transaction Tax and Housing Market Speculators

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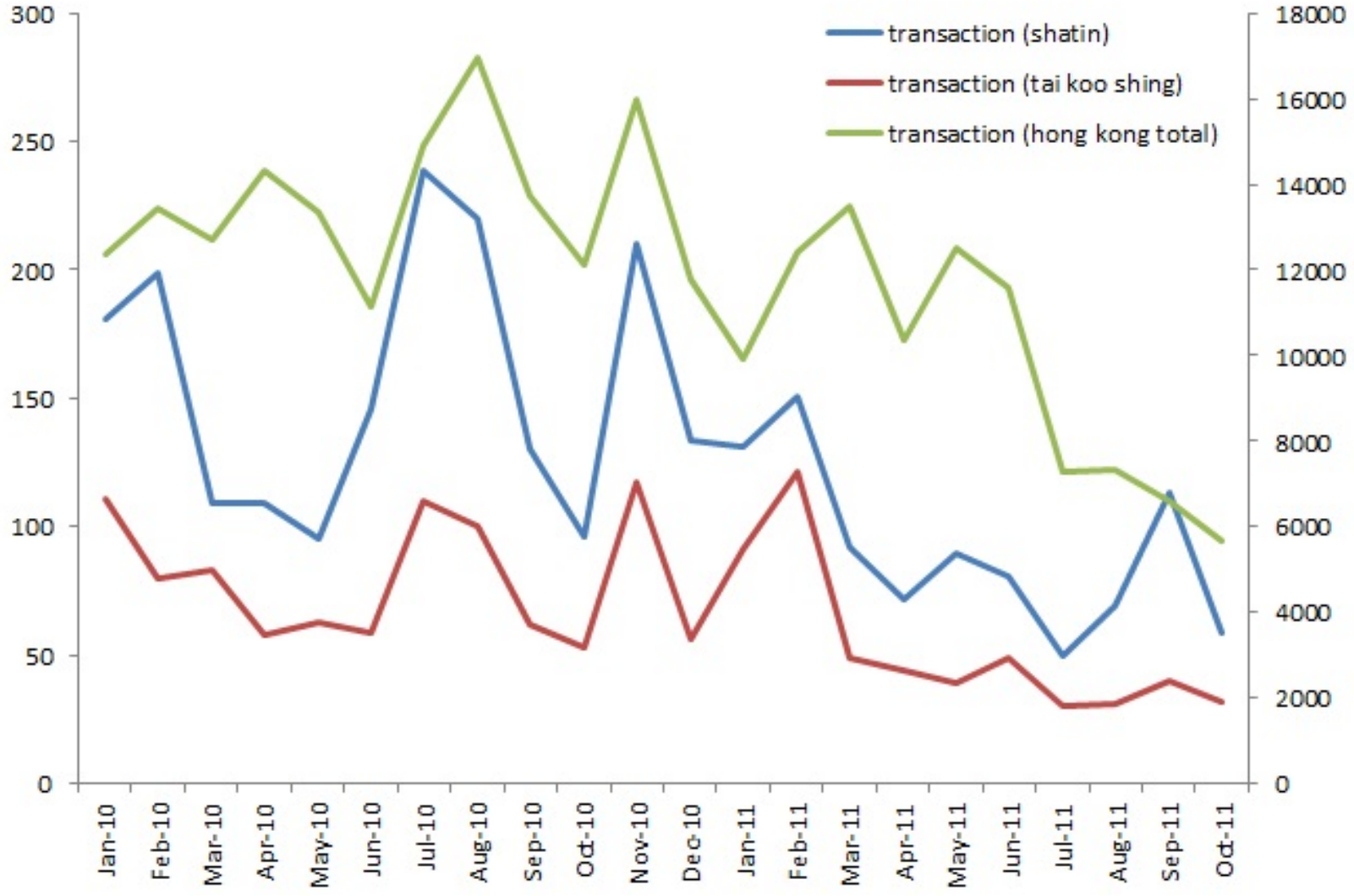
The Paper

- Main question: impact of transaction tax on
  1. trade volume;
  2. price volatility;
  3. informativeness.
- Identification:
  - govt's withdrawal of stamp duty payment deferral in the presale market on Dec 15 2006.
- Results: the increase in transaction tax is associated with
  - a significant drop in turnover;
  - an increase in price volatility in the long run (12 months):
    - informed speculators more affected by policy change.
  - a drop in price informativeness.

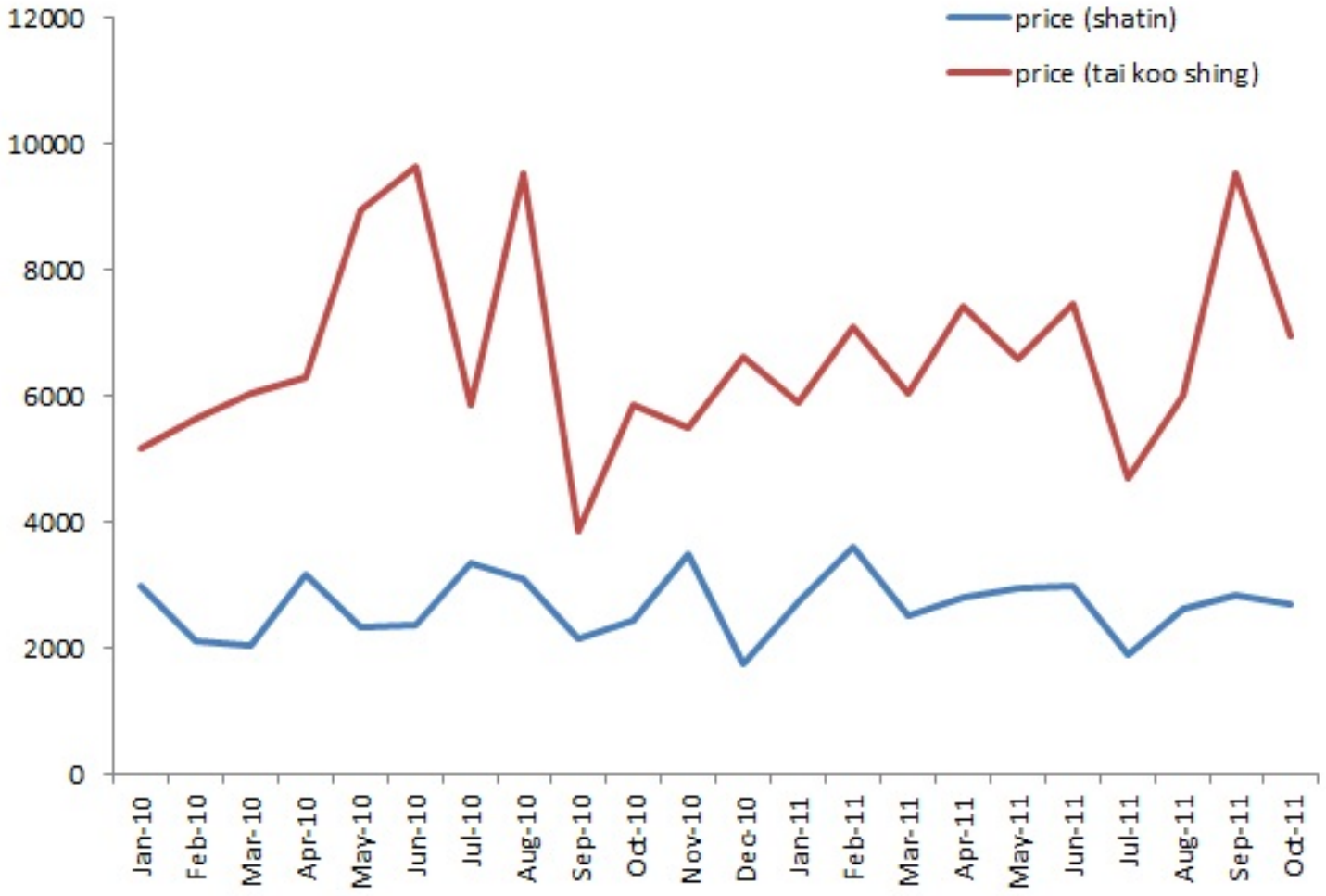
What I like About the Paper

- Question important and relevant.
  - HK also has SSD.
  - transaction volume has dropped significantly.
  - no study on the impact on price volatility.
- Clean Identification.
  - policy change only affected presale market.
  - spot market a good control group.
  - policy change not anticipated. (Suggestion: more emphasis on this.)
- Innovative ways of measuring
  - informed and noise speculators (under- and over-priced projects);
  - price informativeness (ratio of project-specific return and project turnover).

Turnover Decreased After SSD (Nov 2010)



Price Volatility Impact Uncertain



Some Questions

1. Underpriced projects $\Rightarrow$ more informed speculators?
   - def. for underpriced projects:
     - avg. hedonic residuals ϵ_{ij}^{t} bottom 30%
     - what is ϵ_{ij}^{t}?
   - underpriced in Oct 2006
     - may attract more informed speculators in Nov;
     - may also imply lack of informed speculators before;
     - total informed speculators uncertain.
2. Proxy on price informativeness:
   - what about compare the out-of-sample forecasting of prices before and after the policy change?

Minor Questions

1. Proxy for price volatility: s.d. instead of range?
2. Time period of comparison:
   - turnover– 1 and 6 months;
   - price volatility– 6 and 12 months;
   - price informativeness - 6 and 12 months.
   - why the difference?