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“From Stocks to Bricks: Equity Shocks and Local Reallocation into Housing”

Abstract: Does stock market turbulence shift household portfolios into local housing? This paper studies the 2014–2015 China’s equity boom-and-crash, a rapid policy-driven run-up followed by a sharp collapse that was plausibly orthogonal to individual firms’ local fundamentals. We merge 2013–2015 Beijing secondary-market housing transactions to the nearest listed firm and estimate a spatial difference-in-differences design that compares homes located very close to a listed firm to homes in a slightly wider ring around the same firm node (0–1 km versus 1–4 km); results are robust to alternative specifications. During the boom-and-crash window, prices of close-in units rise relative to the comparison ring: the near–far price gap increases by about 0.8 percent during the run-up and about 2.2 percent after the crash, while transaction volume shows no clear differential response. The price premium is accompanied by higher mortgage take-up and leverage among close-in transactions. The premia are larger when the firm’s stock is more volatile, around firms with employee stock ownership plans, and for buyers employed by the focal firm and residing within a walkable distance. The results suggest that heightened firm-specific equity risk is associated with a localized shift of household balance sheets toward nearby housing in periods of stress.