

# The real estate channel of unconventional monetary policy

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## Abstract

This study investigates how unconventional monetary policy affects the economy when the central bank purchases equities issued by non-banks, focusing on the Bank of Japan's Real Estate Investment Trust (REIT) purchase program. Unlike previous studies that examine the impact of monetary policy on the real estate sector primarily through the bank lending channel, this program influences the sector through the risk-taking channel by purchasing equities issued by non-bank institutions. Using detailed data on REITs, we find that: (1) the central bank's purchases lowered both equity and loan costs for targeted REITs; (2) these REITs acquired riskier properties with higher expected returns; and (3) banks reallocated lending from listed real estate companies toward the REIT sector. Together, these findings indicate that central bank equity purchases stimulate risk-taking in targeted non-bank institutions and affect the broader loan market through banks' portfolio reallocation.

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Keywords: Real Estate Investment Trusts (REITs); risk-taking; monetary policy; Large-Scale Asset Purchases (LSAPs); banks

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