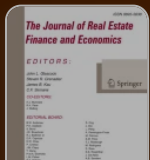


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Real Estate Risk, Corporate Investment and Financing Choice

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underperformance of hedge funds' real estate strategies, and confirm the theoretical predictions in Deng et al. ([2015](#)).

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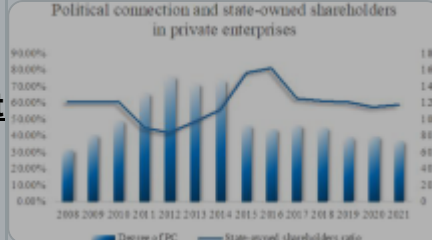
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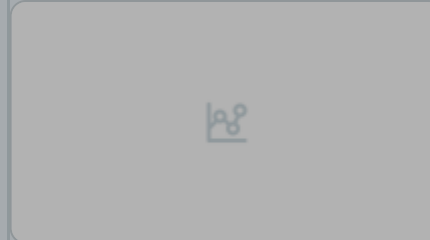
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Manufacturing firms reduce their investment significantly as firms with larger losses in collateral value obtain a smaller loan amount.

3. The analysis on Japan however is restricted to the time-series dimension of the valuation changes. There is no characterization of the microeconomic mechanism through which firm-level collateral value changes due to the asset risk. The financing frictions during the collapse of Japanese land market may also bias the effect upward.
4. The FTSE NAREIT Composite REITs index is a market capitalization-weighted index of all tax-qualified publicly-traded REITs, including equity REITs (EREITs), hybrid REITs (HREITs), and mortgage REITs (MREITs). Observations of the index returns are available at the National Association of Real Estate

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rigorous further investigation, which practically needs another differently focused and carefully executed paper. Since it is not the focus of our paper and has no impact on our results, we decide to report results without losing this paper’s own focus.

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