### A82.1 Illustrative Pitch Template Example

<table>
<thead>
<tr>
<th><strong>Pitcher’s Name</strong></th>
<th>Maria Belen Yanotti</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FoR category</strong></td>
<td>140207, 140302</td>
</tr>
<tr>
<td><strong>Date Completed</strong></td>
<td>24/01/2016</td>
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</tbody>
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#### (A) Working Title
Who are residential property investors in Australia?

#### (B) Basic Research Question
What are the characteristics of residential investors that use mortgage financing in Australia?

#### (C) Key paper(s)

#### (D) Motivation/Puzzle
- **Motivation:** In an environment with high house price appreciation, growing and aging population, inelastic housing supply and low interest rates, we aim to reveal the characteristics of the individuals who are using mortgage finance to become residential direct investors in Australia. The research assesses who takes a residential investment property loan and what are the risks and costs associated with such mortgages. Particular interest lies on mortgages for new buildings and investor-builders.
- **Puzzle:** What are the driver characteristics for direct residential property investment in building housing supply?

#### THREE
Three core aspects of any empirical research project i.e. the 3 "DoTs" guide

#### (E) Idea?
Given that residential direct investment increases housing supply, and that many argue that house price appreciation is driven by speculation on residential equity gains, studying residential investors will help address inefficiencies in the housing market. The objective is to isolate the investment purpose of housing from that of consumption. The study wants to empirically answer what characteristics distinguish residential investors using mortgage finance from the typical mortgage borrower (particularly the owner-occupier)? The literature not only distinguishes institutional investors from individual investors, but also finds suggests particular types of individual investors. The study also wants to investigate empirically which mortgage borrowers receive rental income and which build new dwellings. The study will address potential selection bias and endogeneity in the mortgage terms.

#### (F) Data?
1. Loan-level proprietary mortgage applications data + SIRCA RP Data on home value index and suburb scorecard.
2. Cross-section of Australia (postcode level) for the period Jan2002-May2009.
3. Can be used as panel dataset (aggregated by postcodes/regions) or pool dataset (individual-level).
4. Anonymised bank-originated dataset, over 1 million observations.
5. Distribution tail cleaning, and data merged at postcode level.
6. Approximately 50% of observations in the dataset correspond to residential investment home loans, so there is enough variability.
7. Data obstacle: it is not possible to update the data to 2015 since we are not able to get any further data from the data provider. The dataset also shows a biased sample as it only presents mortgage applications made to a major bank in Australia.

#### (G) Tools?
Logit and Probit discrete choice regressions. Selection bias corrections and potential endogeneity considerations. Also principal component analysis. Software: STATA

#### TWO
Two key questions

#### (H) What’s New?
The novelties in this work are three. The first is the use of a rich individual-level dataset that does not rely on surveys. The second is the introduction of mortgage costs and housing market variables to the little research on direct residential investors. The third is the consideration of potential selection bias and endogeneity issues.

#### (I) So What?
Given the small proportion of social housing in Australia, we need to understand who is willing to invest in housing assets and how does mortgage finance help direct residential investors in building housing supply. Answering these questions will contribute in the design of housing policies, housing tax reforms, and financial products.

#### ONE
One bottom line

#### (J) Contribution?
The study of residential investors with a rich proprietary individual-level dataset.

#### (K) Other Considerations

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