

Title: Presale, Credit Constraints and Housing Supply

Abstract:

Home builders fund projects primarily through bank loans and presale. Thus, presale timing and pricing is relevant for credit frictions, housing supply and affordability. Presale funding in 2010s Israel carries a median premium of 4.2% relative to bank loans. I develop and calibrate a model of housing supply with time-to-build and borrowing limits. Relaxed loan caps increase housing supply and lower prices. A cap on presales reduces supply and raises prices.