By considering banks as portfolios of assets in different locations, we study the transmission of negative real estate shocks across bank’s business areas and geographical locations while controlling for local demand shocks and bank location-specific factors. Affected banks recognize capital losses and cut lending across the board indicating contagion across business lines and locations. They also roll over and fail to liquidate problematic loans, in addition to reducing their operational costs and depleting their liquidity. These results provide evidence of bank balance sheet transmission and amplification of real estate shocks.