Editorial: Introduction from the editor – IJHMA Vol. 16 No. 2

Welcome to the second issue in the sixteenth volume of the *International Journal of Housing Markets and Analysis*. This issue contains 10 housing market research papers that have passed through a rigorous blind review process. In these rapidly changing social and economic times the contribution of these papers addresses current housing market challenges and provides realistic insights and solutions. One of the unique strengths of this journal is the diverse range of countries, markets and research methodologies engaged to collectively analyse international housing markets rather than being limited to specific housing markets.

The first paper from *Malaysia* investigates the service quality of residential buildings in mixed developments. It argues that although demand for residential units in mixed developments is increasing due to a better understanding of the benefits and functions of mixed developments, there remains little research into the service quality of the residential building occupants. Data was based on a questionnaire distributed to five mixed developments in Greater Kuala Lumpur and analysed using a matrix chart and the SERQUAL model. The findings confirmed that the expectations of the residential building users in mixed developments were not high; however, their level of satisfaction was not excessive. Many of the occupants have relatively high actual satisfaction levels, although some respondents were disappointed in certain services or benefits that were expected in mixed development. Furthermore, the occupants were not interested in the proximity of mixed developments to public transport facilities.

The second paper from *Lithuania* identifies the economic stimulus measures that support the stability of housing markets in the event of an economic shock. The methodology used for the econometric analysis includes a stationarity test, Granger causality test, correlation analysis, autoregressive distributed lag (ARDL) models and cointegration analysis using ARDL bounds testing. The findings showed that housing prices correlated with quarterly changes in gross domestic product (GDP) and also that the cycles of the real estate market are related to economic cycles. It was suggested that economic stimulus measures should mainly focus on stabilising the economy, preserving the cash and deposit wealth of households as well as consumer spending in the case of economic shocks.

The third paper from *Malaysia* examines the drivers behind defaults in the housing market in the light of various policy interventions by the central bank. The research assesses the importance of considering the endogeneity of LTV when predicting housing loan defaults and associated implications. The data was sourced at the individual borrower level information of 43,156 housing loan borrowers. The methodology addresses the endogeneity problem in the LTV variable by using two instrumental variables (IV) in the probit regression, namely, national *Residential Property Gains Tax* and the *Statutory Reserve Ratio* of Bank Negara Malaysia. It uses the IV probit model to address endogeneity bias. The results confirm that endogeneity causes a substantial difference in the magnitude of the estimated effects of LTV on the tendency to default. The probability of default is over-estimated at the lower values of LTV, although at the higher values the default probability is substantially underestimated. Endogeneity bias also affects the estimated coefficients of loan and borrower characteristics. Furthermore, the interest rate is less relevant in predicting loan default; however, other loan characteristics including loan age, tenure, payment amount and the built-up area are relevant. The results also confirm the borrower’s location is important where an increase in state GDP per capita and an increase in the supply of residential units reduces default probability.

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The fourth paper examines information and volatility linkages across real estate, share, bond and money markets in *Australia*. The methodology used a novel rational expectations framework of financial contagion along with a combination of robust econometric methods including simple and dynamic correlations, along with generalised impulse response were used using data covering three dynamic pre-pandemic economic cycles: GFC period, pre-pandemic housing boom and pre-pandemic housing downturn from 2008(M2) to 2019(M12). The findings showed that information linkages across real estate, share market, bond and money markets were observed in the correlation of their volatilities and correlation of price indexes returns. The findings also showed that the three financial markets were more interdependent and integrated together with information and volatility linkages during the GFC period and pre-pandemic housing downturn. However, there were stronger associations observed with the real estate market during pre-pandemic housing boom. These outcomes support a hypothesis that the performance of three financial markets is affected by the real estate economic cycles.

The aim of the fifth paper from *Turkey* is to examine to what extent, if any, a causal relationship exists between mortgage credit and house prices. The methodology used the Granger causality test, Toda-Yamamoto causality test, Fourier Granger causality test and Fourier Toda-Yamamoto causality tests. The findings showed there is a strong one-way causality between mortgage credit and house prices. Furthermore, the developments in credit markets are more decisive in the relationship between mortgage credit and house prices in comparison to developments in the housing markets. It was argued that by understanding the importance of the direction of causality between both dynamics, it may be possible to prevent and/or mitigate the negative effects of large house price movements on both Turkish housing and mortgage markets as well as upon the Turkish economy.

The sixth paper from *Kuwait* examines housing affordability challenges in the context of the impact of implementing new policies designed to improve the level of housing affordability. It should be noted that in 2008 the Kuwaiti parliament introduced two policies: (a) a tax on empty lands and (b) forbidding companies to own or develop residential lands or houses. The methodology constructed a housing affordability index and a price-to-income multiplier based on observations between 2004 and 2017. The findings showed that housing affordability had decreased over time regardless of the new policies introduced in 2008. Overall housing in Kuwait became "severely unaffordable" over this time frame.

The seventh paper examines to what extent the level of global liquidity affects international housing prices. Previous studies failed to fully investigate whether the impacts of global liquidity on housing prices display differences between advanced and developing economies. The data sample covers 35 economies from 2000Q1 to 2017Q4. The methodology used panel cointegration to estimate the long-run linkage between global liquidity and housing prices in both advanced and developing economies. The generalised impulse response approach (GIRF) and generalised variance decomposition (GVDC) are also applied to capture the relative strengths and contribution of global liquidity shock on house price volatility. The findings concluded the positive effect of global liquidity on housing prices was higher in developing economies. Furthermore, the results of generalised impulse response indicated that the innovation of global liquidity can significantly and positively impact housing prices only in developing economies and also it appears the period of duration covers two quarters. With reference to the long-run portions of the global liquidity shock on house price volatility in individual economies, the two highest regions were in the USA and in the UK, however there were relatively low portions observed in most of the European economies. When comparing the long-run contributions of global liquidity shock and other variables on house price volatility, the contribution of the global liquidity shock ranked the highest or second highest in 21 out of 35 economies. These findings confirmed it played a role of higher importance than other economic variables when explaining house price volatility in most economies.

The purpose of the eighth paper is to analyse both short- and long-run market-sensitive drivers of housing affordability. The study seeks to highlight an ongoing housing affordability crisis in an emerging market context by also providing an empirical tool to address the crisis. To investigate determinants of uniquely constructed effective housing affordability index and house price-to-income ratio index this study used data for the period from 2007M06 to 2017M12. The methodology used a bound testing approach to cointegration and error correction models as well as causality tests, variance decompositions and impulse response functions. The findings show that the housing affordability crisis is predominantly driven by credit expansion, rent and construction costs. This evidence suggests that housing affordability largely depends on housing market dynamics rather than policies due to the exogenous/cyclical natures of the drivers. It is argued that an effective housing policy response would target these variables.

The ninth paper from *Turkey* proposes a new home financing model. It proposes to direct the savings of individuals in the pension funds into the real estate investment funds (Housing Fund) which is specifically established to provide "bank loan free" home financing. Diminishing musharakah (partnership) is also integrated into the model from an interest-free and saving economy perspective. Overall the rapid increase in global debt volume, housing prices, inflation and interest rates was viewed as negative signs that may increase risks within the housing industry. The analysis of the real housing sector and economic data was conducted in an emerging country, namely, Turkey, where the interest rates are high and the home prices are increasing sharply. The findings indicate the model can provide an improved economic financing solution compared to the high financing costs of the bank loans. In addition to weakening the tie between the banking industry and home financing, the model also provides opportunities to increase the size of the real estate investment funds and provide alternative investment tools in contrast to pension funds.

The tenth paper from *India* analyses the role of behavioural characteristics of young adults with reference to housing and real estate loan default intentions. This is the first study to determine the role of behavioural attributes associated with young adults on housing and real estate loan default intentions in India. Therefore, the behavioural factors considered in this study are financial literacy, materialism, emotions, indebtedness and risk perception. The data set includes 352 valid responses from successful housing loan applicants which were then analysed via structural equation modelling. The findings confirmed that financial literacy, materialism and risk perception were associated with a substantial impact on loan default intention among young adults. The results also showed that emotion and indebtedness do not have a large impact on loan default intention among young adults.

The journal continues to receive unprecedented high levels of manuscript submissions which has resulted in extending this volume to seven issues for the first time. Authors with prospective papers are welcome to engage with the editor prior to submission to ensure their paper is in an acceptable format for publication including the scope of their research. This includes ensuring the submitted paper conforms to the author guidelines for the journal which can reduce the time the paper spends in the review process. Please contact the editor directly if I can be of assistance prior to submission and/or discuss the procedure for admission into the review process. If you are interested in submitting a research paper or reviewing potential publications then please contact the editor direct at ijhma@ijhma.com.

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