

Introduction from the Editor – IJHMA Vol.12 No. 3

Welcome to the third issue in the 12th volume of the *International Journal of Housing Markets and Analysis*. Once again this issue contains high-quality cutting-edge research based on a range of topics and methodologies from a diverse list of countries. The research from seven different countries, both developed and undeveloped, once again highlights the strength of this journal. The first paper from *Malaysia* examines the behaviour of house prices by decomposing the trend, cycle and stochastic components. This involved developing an unobserved component model of a structural time series and Markov switching model covering the period from 1999 to 2015. The findings confirmed that changes in house prices in Malaysia can be explained at the trend level, with only a small role played by the cyclical component. Most importantly these results assist the potential for higher property-investment returns for investors and households. These findings also confirm that Malaysia's house price index (HPI) cycle is between 8 and 17 years, being about twice the length of the growth cycle and the business cycle in the economy. In addition, movement in the HPI can be used to forecast a marginal price increase up to Q2 2028. The second paper from the *USA* investigates to what extent, if any, out-of-town buyers pay a purchase premium and the possible reasons, as well as looks into whether a possible premium has decreased because of the wider availability of information. A hedonic regression model was developed to examine condominium transactions over a 10-year window (2005-2015). The results were validated by robustness checks and a propensity score matching algorithm to identify a comparable control sample regarding relevant housing characteristics in 2015. The results found that out-of-town buyers pay higher prices for real estate in comparison to local buyers, where both search costs and anchoring caused a premium in both years with wealth only playing a significant role in 2005. The premium related to search costs and therefore information availability decreased slightly over time.

The third paper from *Sweden* analyses:

- how large, if any, is the price premium paid for a building exhibiting a cultural value; and
- if there are any spillover effects of buildings with cultural values on sales prices of nearby houses.

The methodology was based on a unique database of all buildings in a specific region, which was then combined with transactions to estimate hedonic models. This approach used spatially lagged variables describing the proximity to three classes of culturally classified buildings (A, B and C). Also, there are estimated models with a spatial specification on the error term seeking to control for omitted variables. The findings showed that cultural classification plays a role in the price of a property with large effects on price premiums for the highest classification. It was also demonstrated there was evidence of a cultural externality, where houses in the vicinity of a building/s with high cultural value sell at a small but statistically significant premium. The fourth paper from *Malaysia* investigates the ability of the average income to maintain increases with higher house prices. In addition, the financial system generally considers houses as a financial asset and speculative vehicle. To undertake this research, the paper examines the determinants of house prices in Malaysia, including income, population, foreign inflow and the level of speculation. This study adopts panel data analysis, namely, the fixed effect model and the pooled mean group, and uses



data at the state level on a quarterly basis from 2005 to 2013. The results confirmed these determinants influenced house prices significantly; however, rapid increases in house prices were not caused by speculative activities. Furthermore, the level of average income in Malaysia is capable of catching up with the increasing house prices.

The fifth paper from the *UK* is designed to examine asymmetries in the house price cycle. In addition, it examines the dynamic of housing prices, incorporating macroeconomic variables at the regional and country levels, including housing affordability, unemployment rate, mortgage rate and inflation rate. To highlight significant differences in the asymmetric patterns of house prices between regions, the STAR model was adopted. The findings highlighted significant differences in the asymmetric patterns of house prices between regions where some areas showed asymmetric responses for the housing cycle. It was noted that the LSTAR model outperformed other models. On the other hand, some regions showed symmetric properties in the tails of the cycle; therefore, the ESTAR model was adopted in their analysis. The sixth paper from *Sweden* analyses the relationship between housing markets and new firm formation in six different industries. The data were sourced from “Statistics Sweden” and “The Swedish Agency for Economic and Regional Growth”. This was then used to develop a model to examine the relationship between house prices and industry-specific new firm formation, including the interaction effect of financial infrastructure. It was found that stable high house prices have no effect on entrepreneurship. Furthermore, a market with rising house prices has a positive effect on new firm formation in the retail, construction, business-to-business services and miscellaneous sectors but produced no effect in the mining, agriculture and fishing or manufacturing sectors.

The seventh paper from *Italy* uses an adaptive stated preference procedure for the appraisal of market value, based on a process to determine the preferences stated by both consumers and producers. This stated-preference-based appraisal procedure is designed for use in situations when it is not possible to refer to actual market transactions because of inefficient, unreliable or the absence of data and information. The methodology is divided into two steps where it initially selects alternatives considered most likely to meet market preference by applying discrete choice (DC) analysis. The second step estimates the potential demand and supply curves for the preferable alternatives identified in the DC analysis by using the contingent valuation method. The results as based on hypothetical demand or hypothetical supply varied by an average of only 10 per cent from the actual sale price. Therefore, the values observed as the intersection of the hypothetical demand and supply curves are within variation margins considered acceptable in real estate appraisal. The eighth paper from *India* studied the satisfaction level of middle-income group residents located in government group housing. The approach involved distribution via a primary survey after developing a composite satisfaction index (CSI) to assess the level of satisfaction. All valid responses were recorded on a five-point Likert scale, with the weights assigned through an expert opinion survey using the Delphi technique. As the data were ordinal, a two-step approach was adopted, with exploratory factor analysis being used initially, where contributing attributes were identified and followed by a generalised ordered logit model. It was found that the attribute named “with cost” contributed significantly towards the overall level of satisfaction aligned “with location”. The CSI values also supported the findings and confirmed the reliability of the index in similar contexts.

The ninth and final paper from *Ghana* was based on the premise that although several factors influence property value determination depending on the market, previous studies in the sub-Saharan Africa often failed to fully analyse the impact of all factors, including unexpired term of leasehold interest and ground rent. Therefore, this study examines the effect of the unexpired term of leasehold interests and ground rent on the valuation of

residential properties. A questionnaire was distributed to real estate valuers, where the respondents were also requested to value a residential property. Both OLS and quantile regression models were used to analyse the data and determine the effect of the subject variables on value. The results highlighted a significant relationship between valuers' views on the relevance of unexpired term of leasehold interest and the actual value placed on residential properties. The respondents who considered the level of ground rent as an important factor in estimating values allocated significantly lower values than respondents who viewed it as less important. The findings suggest that respondents may have different opinions about the existing anecdotal evidence that market participants ignore, relating to the unexpired term of leasehold interest. It was also found that a diversity of opinion on some of the fundamental factors affect value, and that there is a need to build consensus to prevent substantial variation in valuation estimates.

These nine papers highlight the multi-disciplinary nature of housing markets, and all papers have passed through a rigorous double-blind refereeing process to ensure the highest quality of research for housing markets in both developed and developing countries. 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, please contact the editor directly at ijhma@ijhma.com. All correspondence is encouraged.

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