

Introduction from the editor – *IJHMA*, Vol.13 No.1

Welcome to the special issue on Housing in Emerging Asia-Pacific. This issue is a select collection of research presented during the 21st Asian Real Estate Society Conference held at the beautiful campus of the Indian Institute of Management, Bengaluru (India) from 13 to 15 July 2016. In addition, we have included some non-conference papers to provide a more comprehensive coverage of key issues related to housing in the Asia-Pacific.

A useful starting point for discussion on housing is a reminder that adequate housing is necessary for individual welfare, as it provides shelter, place to bring up families and a place to work. However, about a third of urban population living in developing countries is either living in poor housing conditions or is homeless. The situation is precarious in Asia-Pacific where more than 40 per cent live in inadequate housing.

A widely cited book by two economists (Yoshio and Helble) from the Asian Development Bank Institute titled *The Housing Challenge in Emerging Asia* reminds us that, despite extraordinary economic growth in Asia, affordable housing still remains elusive for the majority of people. Tiwari, Rao and Day in their book, *Development Paradigms for Urban Housing in BRICS Countries*, investigate the approaches that countries have taken to provide adequate housing. Adequate housing depends on people's position in life cycle, preference for the size, type, tenure and quality of housing, cultural preferences and so on. The level of income and degree of income inequality in countries will impact the amount of resources required to achieve adequacy in housing provision. Countries, which are wealthy but where the income inequality is greater than the others, may require more resources to achieve housing affordability. This is because the standard of housing required to be considered adequately sheltered will be higher in wealthier societies than others.

The five papers in this issue examine aspects that have an impact on being adequately housed in the Asia-Pacific. Being adequately housed implicitly assumes that it is affordable to those who live in it. Almost all government interventions, be it through policies or through direct financial incentives, aim to keep housing affordable to the majority of their citizens. However, the market forces of demand and supply ultimately dictate what housing prices would be. We have decided, therefore, to include interesting papers that not only examine housing affordability (or the lack of it) but also those that try to understand what drives house prices in the first place.

Aside of providing shelter, housing also remains the single largest component of household wealth in most developed countries. Moreover, house ownership is shown to positively impact consumption, and hence economic growth. It is, therefore, not surprising, that most governments tend to encourage homeownership through its policies. Despite that, younger adults, at least in developed countries, seem to be delaying homeownership for reasons such as unaffordable home prices and a mobile lifestyle.

The first paper investigates the plight of homeless poor in India. The government programs have largely focussed on providing physical solution to address the problem, i.e. through provisioning of shelters. Ghosh, Goel and Ojha, through a survey of homeless, find that there are aspects of good living missing in these programs, which cause dissatisfaction.



Amenities such as psycho-social counselling, facility of referral and transport, utensils for cooking, childcare facilities, waste management, adequate fire safety measures, recreation space, pest and mosquito control, first aid and cooking space are perceived as important by those who were surveyed but are squarely missing from formal programs.

Roy examines components of house prices in India by using governmental surveys that capture a host of information on housing conditions in six major cities. India, like Malaysia and Indonesia, has a large young adult population. Housing is likely to be a consumption good for most, and this is reflected in Roy's estimate of income and price elasticity of housing demand. The author estimates that housing demand is income elastic and price inelastic for both slum and non-slum households.

Declining homeownership is becoming a concern in developed world. Yukutake and Moriizumi examine this trend in Japan, a country where homeownership among young adults has declined from 42 per cent in 1983 to 28 per cent in 2013. Using the minimum distance estimation method, they estimate a set of simultaneous models for house values, purchase timing and credit constraint and conclude that credit rationing has been the main factor behind low homeownership among young households. They argue that interventions such as providing jobs (to increase credit worthiness) and encouraging sale of older houses will increase home ownership among younger adults.

Housing affordability also remains a major concern in Australia where issues such as the role of foreign capital in house price increases have captured the imagination of the media. Wang, Koblyakova, Tiwari and Coucher investigate if there is housing bubble in Australia and find little evidence of a bubble in the data. They conclude that the prevailing low unemployment rate, low interest rate regime, positive consumer sentiment and good performance on Australian share market have resulted in higher demand for properties, thereby also increasing Australian house prices. The authors, however, highlight the pressing need for government affordability programs, particularly directed for young people and first-time homebuyers, a theme that has resonated in many of the countries studied in this volume.

While it is clear that housing prices have become unaffordable in many countries, we have two papers, one focussed on Australia and the other on India, that try to directly estimate the components that contribute towards a house's price using the well-established hedonic pricing model approach. In our last paper, Ge examines the impact of ethnicity on house prices by using the well-established hedonic model approach on six large suburbs in Sydney (Australia). While more research exists on the impact of race on house prices, not much work has been done on the impact of ethnic conglomeration, especially in multicultural societies like Australia. A positive impact would render housing unaffordable for locals, while a negative effect would depress the self-esteem of migrants and accelerate the segregation of these cities along ethnic lines. Ge's research finds that the main drivers of house prices continue to be physical and locational characteristics, including access to transportation, but the impact of changes in ethnic mix on prices remains largely insignificant. The author further argues that for sustainable community, inclusionary zoning to include different ethnicities should be considered to influence and attract migrants to ethnically diverse suburbs.

These five papers try to not only shed new perspectives on housing affordability (or the lack of it) but also understand what drives house prices in the first place in markets with considerable frictions. Our studies cover one of the most dynamic emerging markets in Asia – India – as well as the developed countries of Japan and Australia. While developed markets such as the US have been studied for long, we hope our effort in compiling this

volume will go some way in understanding the dynamics of housing markets in regions such as Asia with fast growing populations. Guest editorial

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3

Further reading

Tiwari, P., Rao, J. and Day, J. (2016), *Development Paradigms for Urban Housing in BRICS Countries*, Palgrave Macmillan.

Yoshino, N. and Helble, M. (2016), *The Housing Challenge in Emerging Asia: Options and Solutions*, Asian Development Bank Institute Press, Tokyo.