UNIVERSITI TEKNOLOGI MARA

F|S|P|U
FACULTY OF ARCHITECTURE,
PLANNING AND SURVEYING

3RD UNDERGRADUATE
SEMINAR
BUILT ENVIRONMENT & TECHNOLOGY

SEPTEMBER
2018

FACULTY OF ARCHITECTURE, PLANNING & SURVEYING
UNIVERSITI TEKNOLOGI MARA PERAK BRANCH
SERI ISKANDAR CAMPUS

UiTM PERAK @ *Seri Iskandar*

THE FACTORS INFLUENCING PURCHASE DECISION OF RESIDENTIAL PROPERTIES IN BANDAR SERI ISKANDAR, PERAK

Nur Raihan Binti Murtadza and Nor Aini Binti Salleh
Department of Estate Management, Faculty of Architecture, Planning and Surveying,
Universiti Teknologi MARA Perak Branch, Seri Iskandar, 32610, Perak.
Email: nurraihanmurtadza@gmail.com , noinsphd07@gmail.com

Abstract:
The objective of this study is to identify the factors influencing the purchase decision of residential properties in Bandar Seri Iskandar, District of Perak Tengah, Perak. A conceptual framework was developed based on literature review of previous studies and was then tested on a sample of 110 respondents. The data for this study was collected by using a close-ended questionnaire based on the stratified sampling and convenience sampling methods. Relative Importance Index and Descriptive Analysis were used to analyse the data collected. The study found that the major factor influencing the purchase decision of residential properties is neighbourhood (0.7523), followed by concept and building features (0.7391), financial (0.7296), location (0.7207), type of land ownership (0.7184), developer reputation (0.7013), demographic (0.6727), and socio-cultural (0.5474). The study is expected to provide more insight into the consistency of factors influencing purchase decision of residential properties.

Keywords*: Residential properties, purchase decision, factors, home buyer

1.0   INTRODUCTION

In recent years, Malaysia has faced problems in the property sector due to many constraints such as the increasing prices of property, scarcity of landed property, unsold and overhang properties and shortage of land (Khoiry, Tawil, Hamzah, Che Ani, & Sood, 2012) . Additionally, the population rate in Malaysia has also increased. In 2010, the total population of Malaysia was estimated at 27.57 million and facing the increasing number of population by 3.63 million, the total population in 2015 is 31.2 million (Department of Statistics, 2016). The increasing population leads to increasing demand for housing especially in urban areas (Yakob & Hamdan, 2012) .The existence of several higher education institutions also lead to the increasing price of housing (Khoiry et al., 2012).

The existence of Universiti Teknologi MARA and Universiti Teknologi Petronas in Bandar Seri Iskandar has caused demand and prices of property in Bandar Seri Iskandar to increase (Ministry of Finance Malaysia, 2011). This situation may become an issue when the residential properties in Bandar Seri Iskandar are still the property of choice of home buyers even though they have not shown any sign of decline in prices (San, 2016). Thus, what are the factors influencing purchase decision of residential properties in Bandar Seri Iskandar? It is very important to study the factors influencing purchase decision of residential property in Bandar Seri Iskandar, District of Perak Tengah, State of Perak.

2.0   FACTORS INFLUENCING PURCHASE DECISION OF RESIDENTIAL PROPERTIES

2.1   *Neighbourhood Factor*

A 'neighbourhood' may be defined as a space or area in which people live together for a beneficial and common interest (Salleh et al., 2015; Sean & Hong, 2014). According to Tan (2011), residential property prices will be affected by the type of neighbourhood. Residential properties located within an area that is at close proximity to green spaces can raise residential property price by 7.1 per cent (Jim & Chen, 2006); while gated communities with landscaping can raise prices up by 18.1 percent (Tan, 2011). The facilities

and amenities provided by property developers in the neighbourhood also play important roles for home buyers to make the decision in purchasing a residential property (Salleh et al., 2015; Thaker & Sakaran, 2016). In recent years, the main concern for Malaysians in purchasing residential properties is safety in the neighbourhood due to the increasing rate of crimes such as snatch thefts and burglaries (Sean & Hong, 2014; Thaker & Sakaran, 2016). Studies conducted by Tan (2011) and Wang and Li (2006), stated that most home buyers are willing to pay more for a residential property that offers good neighbourhood surroundings.

2.2   Concept and Building Features Factor
Nowadays, most housing developers are eager to construct environmentally friendly buildings and develop sustainable residential developments (Tan, 2016). In order to achieve sustainable development, green concept was introduced in housing construction in Malaysia. Green concept was designed to minimize energy consumption, reduce the number of resources used in construction and operation of buildings. One of the building features is the structure of the building. Structural factors considered all physical conditions and quality of the residential property and it also includes the layout and building structure (Hei & Dastane, 2017; Thaker & Sakaran, 2016). The structural factors that can influence home buyers to purchase residential properties are lot size, size of living hall and dining hall, height of building ceiling, built-up size and number of bathrooms and bedrooms and existence of a garden in the house (Hei & Dastane, 2017; Opoku et al., 2010; Tan, 2012).

2.3   Financial Factor
As highlighted by Tan (2008), financial is the crucial factor to be considered in decision-making to acquire a residential property. It includes the initial down-payment, margin of financing, interest rate of financing, base lending rate (BLR), household income, and the ability to get financing (Hei & Dastane, 2017; Sean & Hong, 2014). A study by Thaker and Sakaran (2016) quoted the Household Income Survey 2012 who discovered that the mean for monthly incomes of Malaysians increased from RM 4,025 to in 2009 to RM 5,000 in 2012. The increase in individual income levels can give positive impact to the economy because it can increase the purchasing power of individuals as well as demand for residential property.

2.4   Location Factor
'Location' refers to the place where the residential property is located, whether in urban areas, rural areas or suburban areas (Sipan, Nawawi, & Masri, 2016). The studies conducted by Kauko (2007) and San (2016) found that the success or failure of a housing development project is determined by the location of the development project itself. Location factors include distance to various facilities such as location near working places, location near shopping centres, location near religious centres, location near recreational parks, location near Central Business District (CBD) and location near education centres (Rahadi, Wiryono, Koesrindartoto, & Syamwil, 2013, 2015; Sinniah, Shah, Vigar, & Aditjandra, 2016; Tan, 2012). A residential property located in a good location will generate more favourable returns in terms of capital appreciation and rental value (Tan, 2012).

2.5   Type of Land Ownership Factor
A study by Rohe and Stewart (1996) stated that there is a good relationship between home ownership and type of land ownership. There are two types of land ownership: freehold and leasehold. According to Tan (2011) and San (2016), nowadays home buyers prefer to live in the locality with freehold tenure. The differences between freehold and leasehold properties is term of ownership. There is no time limit of ownership for freehold properties (San, 2016; Tan, 2011). However, it was different for leasehold properties, it will revert back to the state government upon the expiry of the term of ownership. In practice, tenure of leasehold lands in Malaysia are usually 30 years, 60 years or 99 years (Tan, 2011). As

highlighted by Tan (2008) and San (2016), freehold properties have a tendency to perform better in terms of value and long term capital appreciation as compared to leasehold properties.

2.6 Developer Reputation Factor

Brand of development have been connected with the reputation of the developer in producing real estate products. Property developers will have better reputation if they are able to identify home buyer preferences, acting professionally in their profession, maintain quality of product, delivering their products on time and maintaining good relationship and good after-sales service with the customers (Rahadi et al., 2013).

2.7 Demographic Factor

Demographic factor are related to the person characteristics. According to Majid, Said, and Daud (2012), different demographic factors will contribute to different buyers' choices in life. Examples of demographic factors are such as gender, age, education level, marital status, household income and number of people in a household (Hei & Dastane, 2017; Jain & Mandot, 2012).

2.8 Socio-Cultural Factor

Various empirical studies have identified the importance of socio-cultural factors in decision-making towards purchasing residential properties (Salleh et al., 2015; Tan, 2012). According to Sultan Sidi (2010), these factors can be observed in patterns of settlement and lifestyles of some communities for example, *Feng Shui* in the Chinese Asian community. The direction that the house faces and address number of houses are also some of the factors affecting choices among home buyers in Guangzhou (Tan, 2012). The views of the cemetery is also viewed as bad luck (Tse & Love, 2000). Usually, residential properties with a view of cemeteries are lower in prices (Tan, 2012).
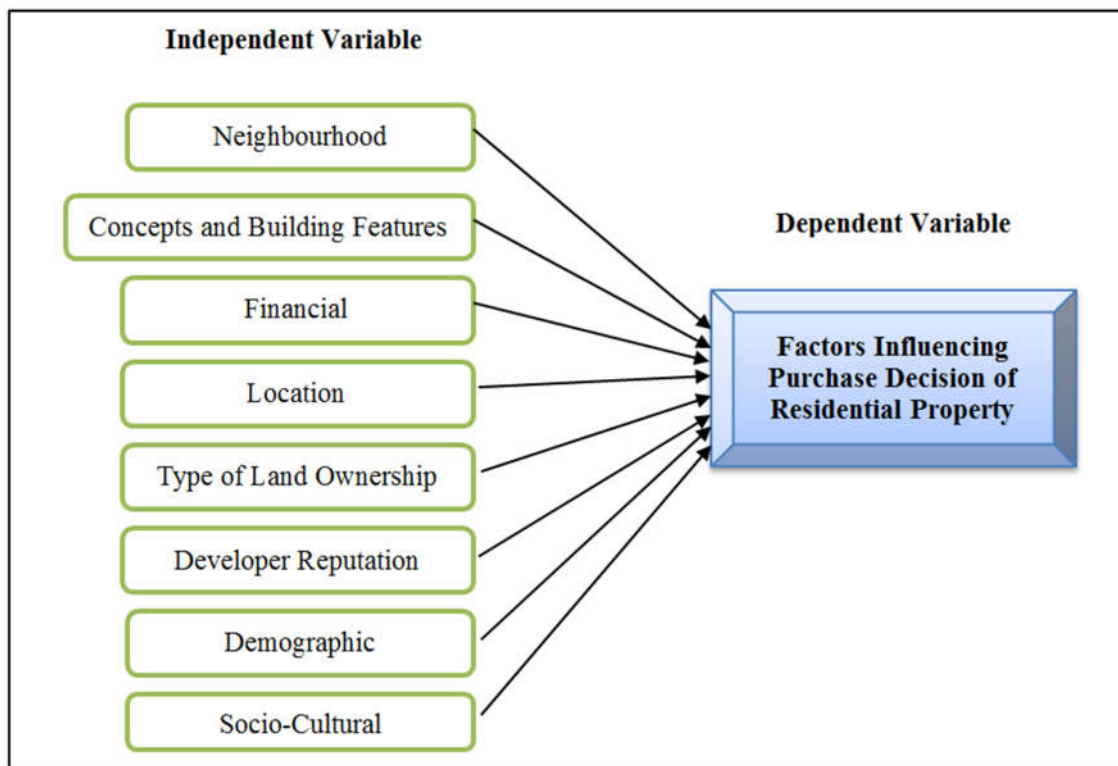

Figure 1: The Conceptual Framework

3.0   METHODOLOGY

Quantitative research design was adopted in this study. Research instrument used is close-ended questionnaire that will be distributed to the home buyers in Bandar Seri Iskandar by using stratified sampling and convenience sampling. This study also placed great emphasis on the aspects of the validity and reliability of the research instrument. A pilot study was conducted before the actual survey was done. The main objective of the pilot study is to ensure that the research instrument used was reliable in structure and the result gathered valid. The data will be analysed by using Relative Importance Index through Microsoft Excel and Descriptive Analysis through SPSS Version 23.

4.0   ANALYSIS AND FINDINGS

4.1   Respondent Demographic

Out of 76 respondents, 32 (42%) of the respondents were male and 44 (58%) respondents were female. 72 respondents were Malays (95%) and 4 respondents were Chinese (5%). 42 of respondents worked in the government sector (50%), 20 of the respondents worked in the private sector (26%), while the remaining 14 respondents (19%) worked in other sectors.

4.2   Response Rate

The Cronbach's Alpha value for this study is 0.867. A total of 110 sets of questionnaires were distributed to respondents. Out of the total 110 sets questionnaires distributed, only 84 sets were returned which represent 76% response rate.

4.3   Analysis Method

Analysis conducted in this research is of relative importance index or RII introduced by Tawil, 2008 who used RII in her research to identify the highest factor as well as to rank the other factors. The highest value of RII shows the major factor influencing purchase decision of residential properties and vice versa. RII for each factor was calculated using the formula as follows:

$$\text{Index Relevant} = \frac{1n1 + 2n2 + 3n3 + 4n4 + 5n5}{5(n1 + n2 + n3 + n4 + n5)}$$

With;
n1 = Strongly disagree
n2 = Disagree
n3 = Slightly agree
n4 = Agree
n5 = Strongly agree

4.4   Research Findings

The results below show the RII ranking from the highest factor to the lowest factor influencing purchase decision of residential properties in Bandar Seri Iskandar:

4.4.1   Neighbourhood
The neighbourhood factor was ranked the first factor influencing purchase decision of residential properties in Bandar Seri Iskandar. The result shows that respondents considered the level of crime rate in the neighbourhood as a higher indicator in decision-making for purchasing residential properties in Bandar Seri Iskandar.

4.4.2   Concept and Building Features
The concepts and building specifications were ranked as the second influential factor. Consideration on number of bathrooms and bedrooms was ranked as the highest variable under concept and building specifications. Findings by Hurtubia, Gallay, and Bierlaire (2010) and Opoku, Robert, Abdul-Muhmin, and Alhassan (2010) concurred that most home buyers give more attention to the number of bathroom and bedrooms as compared to other variables in building specifications.

4.4.3   Financial
The respondents ranked financial factor as the third influential factor in purchase decision of residential properties in Bandar Seri Iskandar. Findings by Hei and Dastane (2017) reflected that financial factor is the most important factor that home buyers take into consideration when purchasing their residential properties.

4.4.4   Location
Location factor was ranked as the fourth factor that influenced purchase decision of residential properties in Bandar Seri Iskandar. Independently, location near the workplace was ranked as the highest variable when compared to other variables such as recreational parks, religious centres and others. It supported findings by Karsten (2007) that states that most home buyers do not prefer to spend too much time on travelling to their workplaces.

4.4.5   Type of Land Ownership
The fifth highest value of RII analysis is type of land ownership. Research findings by Tan (2011) and San (2016) agreed that most home buyers prefer to purchase properties with freehold tenure.

4.4.6   Developer Reputation
Developer reputation was ranked as the sixth factor that influenced purchase decision of residential properties in Bandar Seri Iskandar. From the analysis, the results of the study found that most respondents considered performance of property developer variable compared to well-known name or brand of the property developer in decision making for purchasing residential properties in Bandar Seri Iskandar.

4.4.7   Demographic
Demographic factor grouping variable was ranked the seventh influential factor in purchase decisions of residential properties in Bandar Seri Iskandar. The findings of the study show that household income variable as the highest variable under demographic factor. This means that, most respondents considered household income variable as compared to other variablessuch as marital status, age, household size and education level.

4.4.8   Socio-Cultural
The lowest RII value and the last ranked factor is the socio cultural factor. It shows that respondents do not pay much attention on social cultural factor in their purchase decisions of residential properties in Bandar Seri Iskandar. It may also be due to the fact that the majority respondents and residents in Bandar Seri Iskandar are Muslims.

Further explanation is shown in Table 1 and Figure 2 below:

Table 1: Relative Importance Index Ranking

Factor	RII Value	Ranking
Neighbourhood	0.7523	1
Concepts and Building Features	0.7391	2
Financial	0.7296	3

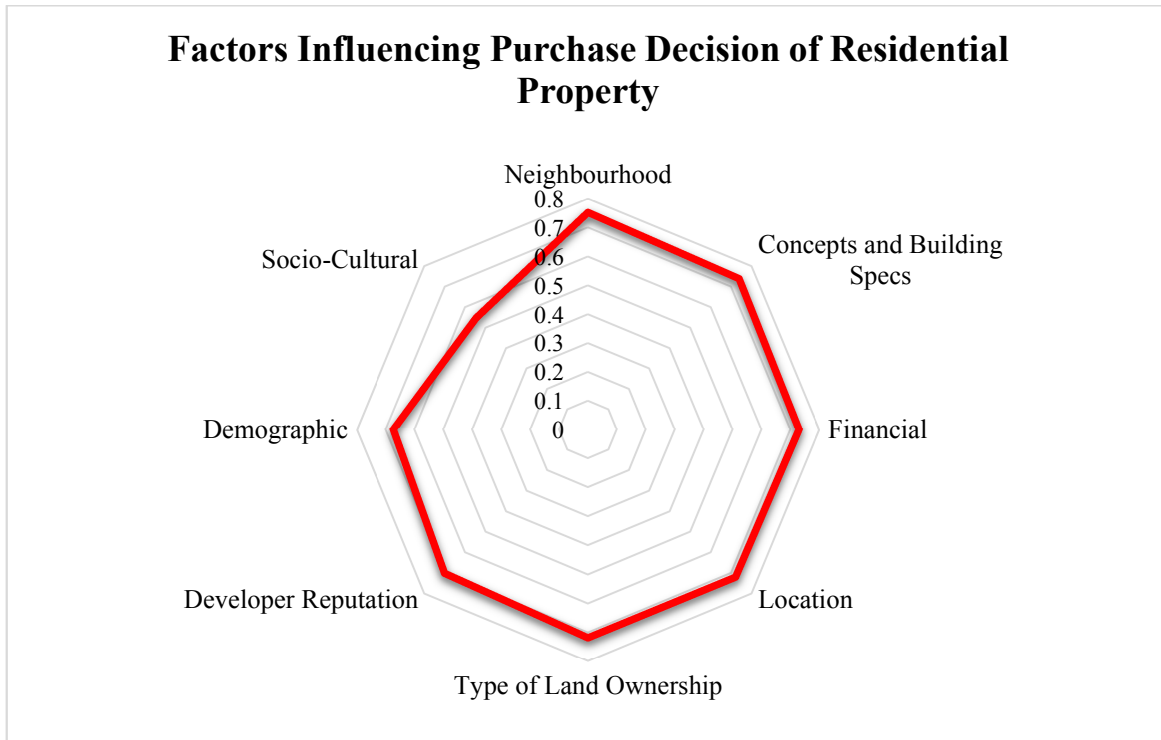|		
Location	0.7207	4
Type of Land Ownership	0.7184	5
Developer Reputation	0.7013	6
Demographic	0.6727	7
Socio-Cultural	0.5474	8

Figure 2: Spider Web Chart Factors Influencing Purchase Decision of Residential Property

5.0   CONCLUSION

A total of eight factors influencing purchase decisions of residential properties have their own importance based on the analyses of data. Relative Importance Index results indicated that neighbourhood factor is recorded as the highest value of RII, followed by concept and building features, financial, location, type of land ownership, developer reputation, demographic, and socio-cultural. The results and outcomes of the study have provided a greater understanding on the factors influencing purchase decisions of residential properties in Bandar Seri Iskandar. These study findings may help parties involved in property market. In order to make the best decision in purchasing residential property, it requires certain knowledge and information related to the subject property itself, the property market, and others. Home buyers will benefit if property developers improve their provision of the factors identified in this study. Hence, home buyers also get better satisfaction from the market or the property developer based on the findings of this study. It is also relevant to the property developers as they have to be cautious before undertaking new residential development projects since property overhang has now become the main concern in the Malaysian housing industry. The findings can be used by the Malaysian government in designing a suitable policy towards providing better shelter to Malaysians and achieve Mission 2020. It provides information to become the benchmark for the Malaysian government in its effort to meet the housing needs for Malaysians.

REFERENCES

Department of Statistics, M. (2016). Current Population Estimates, Malaysia, 2014-2016: Department of Statistics Malaysia.

Hei, C., P., & Dastane, O. (2017). Buying A Dream Home – Considerations of Residential Property Consumers in Malaysia. Business Economics and Management Studies, 5(9), pp.19-35.

Jain, D., & Mandot, N. (2012). Impact of demographic factors in Investment Decision of Investors in Rajasthan. Journal of Arts, Science & Commerce, 3(2). pp.81-92

Jim, C. Y., & Chen, W. Y. (2006). Impacts of Urban Environment Elements on Residential Housing prices in Guangzhou (China). Landscape and Urban Planning, 78(4), pp. 422-434.

Kauko, T. (2007). An analysis of housing location attributes in the inner city of Budapest, Hungary, using expert judgements. International Journal of Strategic Property Management, 11(4), pp. 209-225.

Khoiry, M. A., Tawil, N. M., Hamzah, N., Che Ani, A., I., & Sood, S. (2012). Critical Factors Affecting Double Storey Terrace Houses Prices in Bandar Baru Bangi. Procedia - Social and Behavioral Sciences, 60, pp.562 – 566.

Majid, R., Said, R., & Daud, M., N. (2012). The Impact Of Buyers' Demography On Property Purchasing. Surveying, Construction & Property, 3(2).pp.

Ministry of Finance Malaysia, V. P. S. D. (2011). Property Market Report 2011.

Opoku, Robert, A., Abdul-Muhmin, & Alhassan, G. (2010). Housing preferences and attribute importance among low-income consumers in Saudi Arabia. Habitat International, 34(2), pp.219-227.

Rahadi, R. A., Wiryono, S. K., Koesrindartoto, D. P., & Syamwil, I. B. (2013). Attributes Influencing Housing Product Value and Price in Jakarta Metropolitan Region. Social and Behavioral Sciences, 101, pp. 1-10.

Rahadi, R. A., Wiryono, S. K., Koesrindartoto, D. P., & Syamwil, I. B. (2015). Comparison of the property practitioners and consumer preferences on housing prices in the Jakarta metropolitan region. Housing Markets and Analysis, 8(3), pp. 335-358.

Rohe, W., M., & Stewart, L., S. (1996). Homeownership and Neighborhood Stability. Housing Policy Debate., 7(1), pp.37 – 81.

Salleh, N., A., Zoher, S. A., Mahayuddin, S. A., & Abdul, Y. (2015). Influencing Factors of Property Buyer in Hillside Residential Development. Procedia - Social and Behavioral Sciences, 170, pp.586 – 595.

San, C. K. (2016). Attributes Influencing Home Buyers' Purchase Decision: A Study Of Residential Property In Setia Alam. (Master Thesis), Universiti Tunku Abdul Rahman.

Sean, S., L., & Hong, T., T. (2014). Factors Affecting the Purchase Decision of Investors in the Residential Property Market in Malaysia. Surveying, Construction and Property, 5(2), pp.

Sinniah, G., K., Shah, M., Z., Vigar, B., & Aditjandra, P., T. (2016). Residential Location Preferences: New Perspective. Transportation Research Procedia, 17, pp.369 – 383.

Sipan, I., Nawawi, A. H., & Masri, M. H. (2016). Review of Building, Locational, Neighbourhood Qualities Affecting House Prices in Malaysia. Procedia Social and Behavioral Sciences, 234, pp.1- 8.

Sultan Sidi, N. (2010). Quality affordable housing: A theoretical framework for planning and design of quality housing. Journal of Tecno-Social, 2, pp.1–10.

Tan, T. H. (2008). Determinants of Homeownership in Malaysia. Habitat International, 32(3), pp.318–335.

Tan, T. H. (2011). Neighborhood preferences of house buyers: the case of Klang Valley, Malaysia. Housing Markets and Analysis, 4(1), pp.58-69.

Tan, T. H. (2012). Meeting first-time buyers' housing needs and preferences in greater Kuala Lumpur. Surveying, Construction and Property, 5(2), pp.389–396.

Tan, T. H. (2016). Neighbourhood satisfaction: responses from residents of green townships in Malaysia. International Journal of Housing Markets and Analysis, 9(1), pp.137-155.

Thaker, H. M. T., & Sakaran, K. C. (2016). Prioritisation of Key Attributes Influencing the Decision to Purchase a Residential Property in Malaysia. Journal of Housing Markets and Analysis, 9(4), pp.21.

Tse, R. C. C., & Love, P. E. D. (2000). Measuring residential property values in Hong Kong. Property Management, 18, pp.366–374.

Wang, D., & Li, S. M. (2006). Socio-economic differentials and stated housing preferences in Guangzhou, China. Habitat International, 30, pp.305–326.

Yakob, H., Yusof, F., & Hamdan, H. (2012). Land use Regulations Towards a Sustainable Urban Housing: Klang Valley Conurbation. Procedia - Social and Behavioral Science, 68, pp. 578-589.