FACTORS INFLUENCING HOME BUYERS' PURCHASE DECISIONS IN KLANG VALLEY, MALAYSIA

*JieSheng Mang[1,], Rozlin Zainal[1] & Indera Syahrul Mat Radzuan[2]
[1]Department of Construction Management, Faculty of Technology Management and Business,
Universiti Tun Hussein Onn Malaysia
[2]Department of Real Estate Management, Faculty of Technology Management and Business,
Universiti Tun Hussein Onn Malaysia

*gp170104@siswa.uthm.edu.my
rozlin@uthm.edu.my
syahrul@uthm.edu.my

ABSTRACT

Focusing on Klang Valley, this research studies the outcome of house purchase factors in Malaysia. This research identifies the house purchase factors that affect home buyers' purchase decisions. The researcher collected data using SurveyMonkey by using a questionnaire to elicit the opinions of Klang Valley residents on housing purchase factors and purchase decision. The factors were evaluated and studied to identify their influence on home buyers' purchase decision. Findings show that home buyers' purchase decision are influenced by house structure, space, finance, location, and neighbourhood factors. The findings have laid a foundation for the housing industry to improve.

Keywords*: Home Buyers, House Purchase Decision, House Purchase Factors, Klang Valley*

INTRODUCTION

The advancement of the Malaysian construction development industry by housing developers has led to the issue of property overhang. The Ministry of Finance, Valuation and Property Services Department (JPPH) defined overhang as housing units which were constructed and left unsold for a period of more than nine months. The Residential overhang units increased from 10,285 units worth RM (Malaysian Ringgit) 5.02 billion in 2015 to 14,792 units worth RM 8.56 billion in 2016 (JPPH, 2016).

Klang Valley (Malaysia's largest residential area) housing and property sectors were in a state of imbalanced development since 2009, with a limited growth of 17% and 14% growth of transaction amount (Liew & Haron, 2013). Apparently, the houses do not satisfy the target market with the locations, amenities, and job opportunities provided (Chyi, 2014), making buyers hesitant and hold up the decision to purchase which led to the mismatch in the housing supply, opinion, perceptions and their housing preferences. In order to solve this problem, it is essential to understand what the market truly needs because house buyers nowadays are becoming more prudent before making a purchase decision. Housing developers need more detailed information on how Malaysian home buyers vary in opinion, perceptions and their housing preferences (Saw & Tan, 2014).

When people are making a house purchase decision, there are many factors they take into consideration because it involves not only a large amount of money but also long time commitments. There are numerous housing developers in Malaysian housing market such as Eco World, Sunway, IJM, and LBS as the provision of the residential houses rise remarkably. Developers are competing with each other for branding, marketing, sales and market shares (Choong & Cham 2014; Osman et al, 2017). Thus, these housing developers require answers and solutions for what a home buyer will examine when they plan to buy residential houses. With so many choices in the market, the potential buyer would have more dimensions to look into it, for example price, design of the house, location, promotions, rebates and services quality (Alaraji & Jusan, 2015; Osmadi et al., 2015; Zeng, 2013).

LITERATURE REVIEW

Parent Theory: An Overview of House Buying Behaviour Model

Figure 1 shows the house buying behaviour model of home buyers. This model is a combination of home buying model (Hempel & Jain, 1978) and consumer behaviour model (Kotler & Keller, 2009). This model explains how and why a buyer decides to purchase a house (Schiffman & Kanuk, 2007). Commonly, a house buying model illustrates the specific behaviour patterns of a home buyer. Kotler & Keller (2009) stated that marketing and other stimuli will penetrate the consumer's awareness and then they will merge with the consumer characteristics, occasioning in house purchase decision-making.
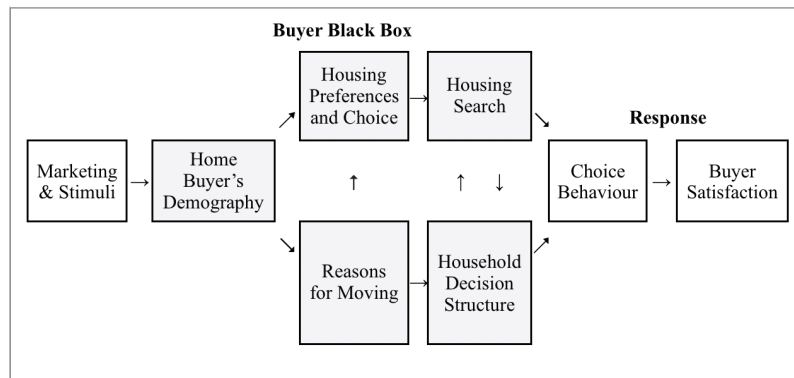

Figure 1: House Buying Behaviour Model
Source: Hempel & Jain, (1978); Kotler & Keller (2009)

Marketing and other stimuli enter the buyer's "black box" and result in certain responses. Mar-keting management will have to figure out what is going on in the black box (the mind of the home buyer) because the home buyer's characteristics will affect how they react to the stimuli; and eventually affect the choice behaviour pattern of the buyer. In order to further understand the home buyer's behav-iour, marketers need to focus on the buyer's characteristics and the elements in the black box which will be discussed in the next section.

House Buyer's Purchase Factors and Choice

In 2001, previous researchers like Beamish, Goss & Emmel have studied house purchase factors from the buyers' perspective based on seven categories of factors such as Tenure, Space, Structure, Quality, Expenditure, Neighbourhood and Location. Then in 2007, Lee, Gosh & Beamish have simplified the factors and classified them into four categories which are Physical, Social, Space, Environment. However in 2008, the same researchers highlighted the importance of Location for a house purchase decision. However, Sufian & Mohamad's findings in 2011 show that the Legal and Law factors also have significant effects on Malaysian house buyers' decision.

The studies for Malaysians' house purchase later (Chia, et al., 2016; Saw & Tan, 2014; Hinshaw & Allott, 1972) have categorised the factors into House Features, Living Space, Finance, Distance, Environment, and Superstition. For this study, the researcher combines the factors in previous studies to create a new classification for the variables. The factors which will be studied are classified into five categories: Structure, Spaces, Finance, Location, and Neighbourhood.

Structure

According to Collen & Hoekstra (2001) and Arimah (1992), structure involves all physical conditions and quality of the house. The factors include air circulation, build-up area, built quality, design, disability features, layout, natural lighting, number of storey, number of electrical socket, number of windows, house type, and orientation. These features will influence house purchase decision of a homebuyer (Kinsey & Lane, 1983). Moreover, many researchers have discovered that these house features are highly critical in house purchase decision making process (Lindberg, et al., 1987; Pasha & Butt, 1996). Therefore, the result of this study which have gone through the house structure as house purchase factors are significant and can be a reference for home buyers.

Spaces

Living space includes backyard, balcony, car park, dining room, garden, kitchen, living room, number of bathroom, number of bedroom, and storage space (Palmquist, 1984; Steward, 2000; Shen & Huang, 2003).

Living space can fulfil the needs and requirement of the person living inside the house. Besides, house buyers will always compare the living space in the house to their demands before they make the purchase (Gosling, et al., 2005).

Finance

Finance defines the payment of cash in buying houses (Aoki, Proudman & Vlieghe, 2004). Financial factors include Application & Closing Costs, Base Lending Rate (BLR), Developer Interest Bearing Scheme (DIBS), Downpayment, EPF Withdrawal, Lawyer Fee, Loan Duration, Loan Interest Rate, Loan Agreement Fee, Mortgage Availability, Mortgage Loan to Value Ratio (LTV), Monthly Repayment, Real Property Gain Tax (RPGT), S&P Agreement Fee, Stamp Duty, Utility Deposit (Opoku & Abdul-Muhmin, 2010; Gimeno & Martínez-Carrascal, 2010). Previous studies have found that home buyers make decisions based on the financial factors (Iacoviello, 2005; Chiuri & Jappelli, 2003). Financial factors also involve the affordability of the home buyers.

Location

Location of a house and its distance to nearby facilities and interest points are significant factors that can influence house purchase decision (Kockelman, 1997). For instance: location close to food courts, government departments, grocery stores, hospital, library, main street, public transport, recreational park, schools, shopping centre, sports facilities and workplace (Kryvobokov, 2007; Thériault, 2003; Kauko, 2007; Kim, Pagliara & Preston, 2005). If the location is close to the mentioned points of interest, it is considered strategic (Kiel & Zabel, 2008; Archer, Gatzlaff & Ling, 1996) and a strategic location is important to evaluate a house in the buying process.

Neighbourhood

Another important aspect to be considered when it comes to house purchase decision is the neighbourhood. The neighbourhood factors of housing area include air quality, crime rates, flooding issues, greenery, open space, population, quietness, road and passage width, safety, security, street layout, street lighting, traffic condition and water drainage (Lawton, 1983; Parra, et al., 2010; Aspinall, et al., 2010). Previous studies also discovered that these neighbourhood factors are becoming more important and home buyers will evaluate them in their house purchase decision (Opoku & Abdul-Muhmin, 2010; Banner, et al., 2010).

85

METHODOLOGY

This research will collect data from Malaysian home buyers and there are plans to use primary data to test the hypotheses. Therefore, survey research is the most appropriate to be used to achieve the objectives.

Data Collection Method

In this study, questionnaire method is chosen because there is a large number of respondents involved. However, it is not appropriate to employ personally administered questionnaires when there is a large sample because of high cost and the time needed. Moreover, many firms and companies are reluctant to spend their work time on data collection (Marczyk, et. al., 2005). SurveyMonkey will be employed to conduct the survey because it could reach a large geographical area and is low in cost compared to face-to-face interviews (Massat, McKay & Moses, 2009). Respondents can fill them at their convenience because it is anonymous. Also, in comparison to e-mail survey which has a lower response rate (Kothari, 1985), respondents do not need to reply after completing the survey form and the researcher will still get the responses.

Sampling

The target population for this research is the potential home buyers and house owners staying in the Klang Valley. This area is selected because it is densely populated with a population of 7.6 million (Masseran, et. al., 2016), allowing the researcher to make a general and overall conclusion for Malaysia.

The sample size is fixed at approximately 400 which is considered acceptable in a business study and it can provide nearly the equal exactness in a population of 200 million even with a population of only 4,000 (Neuman, 2001). In addition, so as to enhance the accuracy for multivariate analysis, the sample size is best between 300 and 500 (Neuman, 2001). Therefore the effective sample size for this research is 400. To assure there are about 400 completed and returned questionnaires, 2,000 questionnaires will be sent out, expecting a 20% response rate.

Data Analysis

SPSS is the most widely adopted software program used for survey data analysis because of the various data analysis products that are suitable for collecting, analyzing, and modeling data. Therefore in this study, SPSS will be employed. The statistical analysis techniques which will be used to acquire the research output is Logistic Regression.

RESULTS AND DISCUSSION

Data Analysis Result

Table 1: Logistic Regression Test Result

House Pur-chase Factors	Variables with High Significance Influence	Variables with Low Sig-nificance Influence
Structure	Build up area Built quality Design Natural Lighting	Air Circulation Disability Features House Type Layout Number of Storey Electrical Socket Number Window Orientation
Spaces	Number of Bedroom Number of Bathroom Number of Car Park	Backyard availability Balcony availability Dining Area size Garden availability Kitchen size Living Room size Storage Space size
Finance	Down payment Monthly Repayment	Application & Closing Costs BLR DIBS EPF Withdrawal Lawyer Fee Loan Duration Loan Interest Rate Loan Agreement Fee Mortgage availability LTV RPGT S&P Agreement Fee Stamp Duty Utility Deposit

Location	Food Courts Main Street School	Government Depart-ments Hospital & Clinics Library Public Transport Recreational Park Shopping Centre Sports Facilities Workplace
Neighbour-hood	Safety Security Street Layout Traffic Condition	Air Quality Crime Rate Flooding Issues Greenery Open Space Population Quietness Road & Passage Width Street Lighting Water Drainage

Source: Author

Discussion

Structure

Klang Valley home buyers are most concerned about the built up area of the houses because an average Malaysian family comprises 4 to 5 persons. Unlike other Asian countries like Singapore, Japan and even China which only have an average family size of 3 persons or less (Statista, 2019). This is also the reason the average Malaysian home size has become the top 10 largest in the world today (1264 sq ft). Furthermore, the Malaysian house size is the biggest in the Asian region (Tan, 2019).

On the other hand, the most insignificant housing factor for Klang Valley home buyers is air circulation. Consumers always neglect the importance of air circulation because they would prefer air-conditioning over natural air ventilation. 65% of Malaysians own air-conditioning in their houses and use it for 6 hours daily on average which is why they do not consider air-circulation as an important variable (Kubota, et.al., 2010).

Spaces

Klang Valley home buyers prefer more bedroom, bathroom and car parking lot when they are making home purchase decision. Malaysian home buyers need more bedrooms and bathrooms for their daily usage since

most of the Malaysian families have more than four persons in a household (Ismail, Tay & Lai, 2018). Besides, a single Malaysian household owns an average of two cars and the car ownership is 93%. In comparison with other Asian countries,   almost half of the Filipino and Indonesian households do not possess a car, whereby the figure is 47% and 46% respectively. Therefore, the number of car parking lot is also another significant factor to be considered in the purchase decisions of Klang Valley home buyers (Fischer, 2014).

The result of the analysis shows that the most insignificant factor is the size of the living room. Malaysian house owners do not mind having small living room but they want it to look spacious (Tan, 2018). According to Chris Yap (Malaysian Institute of Interior Designers president), median size house owner prefer minimalist design houses which provide no room for mess and garish decoration, and most importantly spacious room for daily activity.

Finance

Home buyers in Klang Valley prefer lower down payment and lower monthly repayment when they intend to purchase houses. The average income for a household in Klang Valley is RM7,225 (DOSM, 2016). However, their monthly expenditure has reached up to RM5,183 (DOSM, 2017). This monthly expenditure only covers the basic needs of the household but does not include some extra spending for entertainment purpose and savings. So, an average household only has RM1,000 plus for their house monthly repayment, not to mention the 10% down payment needed to purchase a house. This is why most home buyers are more concerned about down payment and monthly repayment when they are making a purchase decision.

The most insignificant factor is mortgage availability. As mentioned in Section 1.7, this research only focus on individuals' residential housing purchase, not for investment purpose. Also, according to Yusof (2018), in Kuala Lumpur, the house owning rate is only about 50%. The other half would buy houses for residential purpose and they have no property to be converted into a loan. Therefore, the mortgage availability option is not so important for most of the house buyers.

Location

Home buyers prefer location close to schools because for working parents who need to send their children to school, they could simply drop their children to school on the way to the workplace and their children can reach home sooner than usual because the school is near to their home (Arellano, 2015). Besides that, if they chose houses near to the main street, the centralized living give advantages to the residents, they can access transportation and recreation more easily (Probasco, 2019).

The most insignificant location factor is public transport. According to Khor (2017), Klang Valley public transportation system is lagging behind in effectiveness and reliability. It is ranked 95th among 100 cities in a study related to sustainable urban mobility (ARCADIS, 2017). This low ranking status demonstrates that the transport system in Klang Valley is far from satisfactory and needs to be improved. Hence, many residents would rather use their own vehicle and would not consider using public transportation when they are making house purchase decision.

Neighbourhood

The result of the analysis shows that consumers wish for safety, security, better street layout and traffic condition. McBride (2019) has stated that people would like to ensure their family is safe and away from any danger that might occur. Neighbourhood safety and security would always be of utmost concern. Besides, home buyers hope for a better street layout and traffic condition in the neighbourhood to maintain and improve neighbourhood streets by reducing negative effects of traffic, such as noise and air pollution.

CONCLUSION

Contributions of the Study

This research provides contribution to the understanding in the purchase decision of home buyers. This research has brought a particular set of housing purchase factors for Malaysia's housing market. These housing purchase factors identified in the literature review were used in the survey targeting a sample of Malaysian home buyers in the Klang Valley. Thus,

this study contributes to the knowledge of home buyers' decision-making processes for the housing market in Malaysia.

Implications of the Study

The outcomes of this research have some important implications related to management systems and operational activities in Malaysia's residential housing industry. Moreover, there are also implications for housing industry and home buyers.

The five groups of house purchase factors listed in this study could be used as the main elements in the Klang Valley's residential housing market. Housing developers should understand the significance of the house purchase factors in determining house purchase decision. They ought to concentrate and invest on these housing purchase factors to satisfy home buyers' demands, so they will have the added advantage to compete with their competitors.

This study also provides home buyers the means to make wiser decisions for their residential house selection. Besides, home buyers will gain benefits and greater satisfaction when housing developers improve their products with the attributes listed in this research.

ACKNOWLEDGEMENT

not be able to complete my research in time. RMC provided me with the tools and funds that I needed to conduct the research and favorably complete my thesis.

Furthermore, I am grateful for my parents' wise advice and their support because they are always there for me. Finally,I would like to thank my friends, those who have given me great support in the time period of conducting the research and writing the thesis, as well as providing pleasant distraction to ease my mind and body outside of the tedious research.

REFERENCES

Alaraji, K. A. M. H., & Jusan, M. B. M. (2015). Flexible House Attributes as Perceived by the End-users. *International Journal of Applied Engineering Research, 10*(7), 18313–18324.

Aoki, K., Proudman, J., & Vlieghe, G. (2004). House Prices, Consumption, and Monetary Policy: a Financial Accelerator Approach. J*ournal of Financial Intermediation, 1*3(4), 414–435.

Archer, W. R., Gatzlaff, D. H., & Ling, D. C. (1996). Measuring the Importance of Location in House Price Appreciation. *Journal of Urban Economics, 40*(3), 334–353.

Arimah, B. (1992). An Empirical Analysis of the Demand for Housing Attributes in a Third World City. Land Economics, 68(4), 366-379.

Aspinall, P. A., Thompson, C. W., Alves, S., Sugiyama, T., Brice, R., & Vickers, A. (2010). Preference and Relative Importance for Environmental Attributes of Neighbourhood Open Space in Older People. *Environment and Planning B: Planning and Design, 37*(6), 1022–1039.

Banner, M. G., White Berheide, C., & Ross Greckel, F. (1982). Housing Preferences in Louisville: A Feminist Critique of the Suburban Environment. *Housing and Society, 9*(2), 95–110.

Chia, J., Harun, A., Wahid, A., Kassim, M., Martin, D., & Kepal, N. (2016). Understanding Factors That Influence House Purchase Intention Among

Consumers in Kota Kinabalu: an Application of Buyer Behavior Model Theory. *Journal of Technology Management and Business, 03*(02), 2289–7224.

Collen, H., & Hoekstra, J. (2001). Values as Determinants of Preferences for Housing Attributes. *Journal of Housing and the Built Environment, 16*(3–4), 285–306.

Fischer, J. (2014). Islamic mobility: Car Culture in Modern Malaysia. *Journal of Consumer Culture, 16*(2), 572–591.

Iacoviello, M. (2005). "House Prices, Borrowing Constraints, and Monetary Policy in the Business Cycle." *American Economic Review, 95* (3): 739-764.

Ismail, N. A., Tay, N. P. & Lai, S. L. (2018). Population Situation Analysis Malaysia 2018.

Kiel, K. A., & Zabel, J. E. (2008). Location, location, location: The 3L Approach to house price determination. *Journal of Housing Economics, 17*(2), 175–190.

Kim, J. H., Pagliara, F., & Preston, J. (2005). The Intention to Move and Residential Location Choice Behaviour. *Urban Studies, 42*(9), 1621–1636.

Kockelman, K. (1997). Effects of Location Elements on Home Purchase Prices and Rents in San Francisco Bay Area. Transportation Research Record: *Journal of the Transportation Research Board,* 1606, 40–50.

Kotler, Philip, & Keller, Kevin Lane. (2009). *Marketing Management* (5th ed.). New Jersey: pearson Education, Inc.

Lee, H., Goss R. C., & Beamish J. O.(2005). *Influence of Lifestyle on Housing Preferences of Multifamily Housing Residents*. Thesis Submitted to Virginia University, 2746(April).

Liew, C. & Haron, N. A. (2013). Factors Influencing the Rise of House Price in Klang Valley. *International Journal of Research in Engineering and Technology, 2*(10), 261-272.

Lindberg, E., Gärling, T., Montgomery, H., & Waara, R. (1987). People's Evaluation of Housing Attributes.A study of Underlying Beliefs and Values. *Scandinavian Housing and Planning Research, 4*(2), 81–103.

Massat, C. R.; McKay, C.; Moses, H. (2009). Monkeying Around: Use of Survey Monkey as a Tool for School Social Work. *School Social Work Journal, 33*(2) 44-56.

Opoku, R. A., & Abdul-Muhmin, A. G. (2010). Housing Preferences and Attribute Importance Among Low-Income Consumers in Saudi Arabia. *Habitat International, 34*(2), 219–227.

Osman, M. M., Ramlee, M. A., Samsudin, N., Rabe, N. S., Abdullah, M. F., & Khalid, N. (2017). Housing Affordability in the State of Johor. *Planning no Malaysia, 15*(1), 347–356.

Pasha, H. A., & Butt, M. S. (1996). Demand for Housing Attributes in Developing Countries: A Study of Pakistan. *Urban Studies, 33*(7), 1141–1154.

Saw, L. S., & Tan, T. H. (2014). Factors Affecting the Purchase Decision of Investors in the Residential Property Market in Malaysia. *Journal of Surveying, Construction and Property, 5*(2), 1985–7527.

Shen, J., & Huang, Y. (2003). The working and living space of the "floating population" in China. *Asia Pacific Viewpoint, 4*4(1), 51–62.

Steward, B. (2000). Living Space: The Changing Meaning of Home. British *Journal of Occupational Therapy, 6*3(3), 105–110.

Thériault, M., Des Rosiers, F., Villeneuve, P., & Kestens, Y. (2003). Modelling Interactions of Location with Specific Value of Housing Attributes. *Property Management, 21*(1), 25–62.

Zeng, R. (2013), '*Attributes Influencing Home Buyers' Purchase Decisions : A Quantitative Study of the Wuhan residential housing market*', DBA thesis, Southern Cross University, Lismore, NSW.