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An Integrated Approach of Buyers' Behaviour towards Real Estate Sector

(With Special Reference to the Study of Indore City)

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ABSTRACT

With growth in economy, investment in real estate is increasing. Investment in real estate properties is prudent at any point of time. In India, we are seeing year-on-year growth in the real estate sector. Consumers are expected to make real estate decisions that maximize their utility and wealth, given price and income constraints. The aim of this study is to examine the consumer's house (real estate) buying behaviour from consumer's perspective. This study has examined variables which affect the buyers' behaviour such as location, risk, return on investment etc. and found that these factors have a great impact on buyers' behaviour towards real estate sector. Addressing related issues through an understanding of behaviour of real estate buyer provide the means to explore the quality of past decisions and to make valid future decisions. Indore, an important city in India, has witnessed a high rate of growth in past few years. Increased demand for housing and investment in properties has led to increase in the rates of real estate. An attempt has been made to study the behaviour of buyer in association with the following variables such as location, price, return on investment etc. in Indore city.

Keywords: Real Estate, Location, Price, Risk Attitude, Buyer Behaviour.

Introduction

Housing may be seen as one of the prevailing factors that impact the general economy and at the same time, an important component of social development that cultivates cultural attribute, manifestation of aesthetic values and the way of life. Housing is categorized as a basic human need, in which the quality, cost and availability are crucial to an individual's quality of life. The main goal of sustainable housing is to develop affordable housing that are (1) durable and long lasting; (2) cost effective to build and practical to maintain; (3) use natural resources and materials efficiently based on their life-cycle environmental impacts; (4) conserve water, reduces runoff and treats waste-on site; (5) maximize energy conservation and efficiency;

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(6) reduce building footprints, simplify building shapes and maximize space efficiency; (7) optimize building orientation to integrate natural daylight and ventilation;

(8) healthy by eliminating toxic and harmful materials in facilities and surrounding environment; (9) support transportation alternatives; (10) reduce, reuse and recycle materials in all phases of construction and deconstruction; (11) apply maintenance and operational practices that reduce or eliminate harmful effects on people and environment, and (12) design for future flexibility, expansion and capable of safe and efficient building demolition (Housing-Corporation, 2002).

Buyers' attitude is the study of individuals, groups, or organizations in the selecting, purchasing, using, and disposing of goods and services to satisfy needs and desires. Much of the study of consumer behaviour focuses on consumer choice. Utility theory in economics and attitude theory in social psychology have strong similarities and constitute a basis for consumer decision and choice processes. Buyers purchase goods and 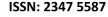services for the benefits derived from their use. While the study of economics focuses on outcomes, consumer behaviour emphasizes the process. Rather than assuming perfect conditions, consumer behaviour researchers explicitly recognize the impact of situational elements on behaviour and the variance among individuals.

The criteria a buyer uses to choose between alternative products are the product attributes the consumer considers important. Buyers may make the purchase decision using compensatory or non compensatory decision rules. With a compensatory decision rule, the consumer identifies the important attributes, rates the alternative products on each attribute, and selects the product with the highest score. With a simple additive rule, the buyer selects the product that is judged to have the largest number of positive attributes. This is a relatively simple rule used most often when motivation or ability is limited (Alba and Marmorstein, 1987). Thus, a buyer might choose the apartment that offers on a reasonable price with full facilities, a very good return on investment and the prime factor is location. These are the important factors that buyer might give preferences in selecting a real estate. This study deals with the attitude towards these factors and examines the impact of the variables on buyer attitude.

Market analysis attempts to predict consumer demand for real estate services. Investment analysis examines the required and expected rate of return to an investor, and finance analyzes consumers' mortgage choices and likelihood of repayment. The study of buyers' attitude involves trying to understand complex human beings and the reasons they act the way they do in the marketplace. It recognizes that consumer decisions take place inside a person who is distinctive in his personality and attitudes, yet similar to other consumers who

have been exposed to the same external influences of culture and society. Rather than ignoring these complexities, real estate researchers should embrace the study of buyers' attitude to better understand the reasons behind market choices. A review of the buyers' attitude r literature would suggest that buyer/seller attributes be explicitly considered in appraisal to determine market characteristics and the properties considered to have the same utility and amenities (Ratcliff, 1965; 1972).
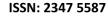
The incorporation of buyers' attitude into traditional real estate study in these and other areas will improve understanding of individual decision-making in a real estate context. This understanding will lead to better explanations and predictions in real estate markets and, as a result, greater success in the marketplace.

Review of Literature

N. Kathirvel & P. Vimalagracy (2014). The purpose of the study was to identify the key factors affecting construction decision of buying individual house owners apartments in the outskirts of Coimbatore. Although, independent house is new to the region but demand for this product is rising day by day because of scarcity of housing in Coimbatore. Customers have the wide choice to select the best suitable individual houses for them because of the intense competition and additional supply in the market. Therefore, it is important for the real estate marketers to understand the behaviour of prospective buyers and to identify the influencing factors, which affect the choice of customers. Therefore, in this background the present study aims to identify the key factors affecting the decision of customers to construct individual house owners in outskirts of Coimbatore.

S.Nithyamanohari & D.Ambika (2014). The study was focused on identifying factors which influences real estate industry. From the literature review, the various factors influencing real estate industry were identified. A detailed questionnaire is prepared based on the various factors influencing real estate industry such as Demographics , Interest Rates, Economy, Government Policies, Employment rate, Population trend, Housing demand, Rates of inflation, Industry innovation factors.

Brandstetter, M. C. G. de O. (2011) This research work addresses determinants of housing consumer behaviour. This Brazilian work presents the development of a methodology which combines the examination of housing attributes and behavioural attitudes about residential mobility, choice and satisfaction.

Hamilton T. (2011). This study is affected by factors such as buyer and seller each typically motivated and acting knowledgeably acting in their best interest, price not affected by undue stimulus, adequate marketing efforts made and a reasonable time allowed for exposure in the open market, price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Thanakon Ratchatakulpat et al.,(2009). This study investigates the factors that prospective buyers consider when purchasing residential property. Affordability, maintenance and interior design, and a good neighbourhood are considered as most important. Of least importance are the affluence and quality of the area, water, views and roads, and features, such as a pool or air-conditioning. Therefore, location is important in the sense of neighbourhood and community, rather than prestige. Affordability should receive more attention in the literature and real estate marketing. Different market segments consider a number of factors when purchasing residential property.

Objectives of the Study

The objectives of the study are as follows:

- To examine the buyer's preference towards location, price and risk attitude.
- To invest in real estate sector for future security
- To suggest future implications and to face the challenges from Real Estate Sector.

Hypotheses

In pursuance of the objectives of the study, the following hypotheses were formulated:

H_{01}: There is no relation between buyer's preference and location of real estate

H_{02}: There is no relation between buyer's preference and price of real estate

H_{03}: There is no relation between buyer's preference and risk attitude of real estate

Research Methodology

Sample: The population for the study comprised the customers of Indore City who have recently purchased a Real Estate and also those who are planning to purchase. The total 50 questionnaires were distributed to the customers and out of these received 43. However, due to inadequate information of 3 questionnaires, they were not included for the analysis of the data. The researcher has used SPSS (Statistical Software for Social Science) for the analysis of the data.

Research Instrument

The researcher has used the following research tools for the purpose of the study. He has developed a 5 Pint Likert Scale. It consisted of 32 questions on buyers' behaviour attributes namely; location, price, risk attitude, facilities, after sales service, trust, past records, legal documents, legal permissions etc.

Sampling Method: random sampling was used for the collection of the data.

Analysis and Result

For the analysis of data, the researcher has used the Step-wise regression analysis. Buyer behaviour has been taken as an Independent variable and other factors such as location, price, risk, trust etc as a dependent variable.

Discussion

The Regression analysis and the Analysis of Variance (ANOVA) are shown in the given Tables 1.1 & 1.2 below respectively:

Table 1.1: Step-wise Regression Analysis

Model	R	R-Squared	Adjusted R-Squared	Std. Error of the Estimate
1	0.793 (a)	0.628	0.619	4.727
2	0.737 (b)	0.737	0.723	4.030
3	0.778 (c)	0.795	0.778	3.610

  a. Predictors: (Constant), Location (X_1)

  b. Predictors: (Constant) Location (X_1), Price (X_2)

  c. Predictors: (Constant) Location (X_1), Price (X_2), Risk Attitude (X_3)

Table 1.2: ANOVA

	Model	Sum of Squares	DF	Mean Sum of Squares	F (Ratio)	P-value
1	Regression	1436.223	1	436.223	64.255	.000 (a)
	Residual	849.377	38	22.352		
	Total	2285.600	39			
2	Regression	1684.541	2	842.271	51.849	.000 (b)
	Residual	601.059	37	16.245		
	Total	2285.600	39			
3	Regression	1816.328	3	605.443	46.446	.000 (c)
	Residual	469.272	36	13.035		
	Total	2285.600	39			

a. Predictors: (Constant), Location (X_1)

b. Predictors: (Constant) Location (X_1), Price (X_2)

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Table 1.3: Co-efficient

Model		Un-standardised co-efficient		Un-standardised co-efficient	t-value Sig.	
		Beta	Std. Error	Beta		
1	(Constant)	10.049	3.153		3.188	.003
	Location	1,279	.160	.793	8.016	.000
2	(Constant)	6.424	2.843		2.259	.030
	Location	.811	.181	.503	4.475	.000
	Price	.471	.120	.439	3.910	.000
3	(Constant)	16.676	4.109		4.059	.000
	Location	.642	.171	.398	3.763	.001
	Price	.421	.109	.393	3.868	.000
	Risk Attitude	-.246	.077	-.278	-3.180	.003

a. Dependent Variable: Buyer Behaviour

b. Level of Significance: 5%

As shown in the tables, there is a variation between the variables under study of the Models 1, 2 & 3. So, there must be some relation between the variables under study that we have tried to explain with the help of the regression equation. The co-efficient are given in Table 1.3:

We got three Models by Step-wise Regression Method, which are best fitted from Table 1.3.

Model 1

This Model explains about 61 per cent co-efficient of determination (R-Square) between buyer behaviour and location.

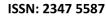$Y = 10.049 + 1.279X_1$

Model 2

This Model explains about 72 per cent co-efficient of determination (R-Square) between buyer behaviour and location & Price.

$Y = 6.424 + 0.811X_1 + 0.471X_2$

Model 3

This Model explains about 78 per cent co-efficient of determination (R-Square) between buyer behaviour and location, Price and Risk Attitude.

$Y = 16.676 + 0.642X_1 + 0.421X_2 + -0.246X_3$.

From the above table we can conclude that location price and risk attitude are the important factors which affect buyer behaviour. It is also clear that risk attitude is the least important factor among the three factors chosen. The other factors which are not statistically significant include: facilities, transportation record of the company etc.
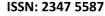
Many investigators have shown that the core factors are instrumental in convincing the customers to purchase the Real Estate. Location is a considered a very vital determinant to attract the buyer behaviour as for any purpose whether it may be for commercial or residential it vary to customers.

Conclusion

This study represents the investigations into residential property buyers which identifies the variables influencing purchase intentions of live in and investor buyers. Particular reference is made to the residential property market in Indore city. As such, the research has implications for this property market and in particular in contributing to the body of knowledge on buyer behaviour.

The major contribution to practice is the provision of substantial guidelines on the factors to be considered in developing effective marketing strategies, defining a strategy for the sale of property based on buyer demographics, and whether the buyer might be purchasing a property for investment compared to live in. Buyers may have different views from agents on what constitutes an investment and such buyers want more efficiency and speed in the buying process. The study revealed that Location has long been considered a critical factor in real estate and this study elucidates the meaning of location for buyers. Neither home buyers nor investors rate the affluence of the suburbs as a key factor. This suggests that many people may aspire to live in the best location, but when it comes to seeking a property to purchase, affordability, community distance and neighbourhood factors take precedence. Other aspects are also considered relevant such as; price and risk attitude. As far as price is concerned buyers' first choice to check the location and then the buyer is willing to take risk if he/she gets the assurance that builder is trustworthy. Properties should be advertised with clear indications of location and nearby amenities.

Prospective real estate purchasers are concerned with more than property location. Overall affordability determined by buyer borrowing capacity along with maintenance, design and a good area or neighbourhood are the main characteristics. Agents should emphasize the maintenance and overall interior design of the property. In terms of location, the factors important to buyers are a good area, such as the general standard of the neighbourhood,
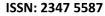
security and noise. These are liveability requirements rather than prestige aspects, such as water views, affluence, or image. In other words, location is important in terms of the amenity of the neighbourhood, and nearby facilities, rather than an affluent suburb.

Suggestions

- The study has explored some suggestions regarding for the sake of future. These are:
- The real estate agents should improve their mode of service quality in these areas so as to have more satisfied consumers. This study also
- The study also recommends that the Estate Surveyors and Valuers should educate their members on service quality related issues in order to enhance their members' effectiveness in meeting the needs of their consumers and also attract more patronage.
- However, there is need for future researchers to continue to build on the body of knowledge on service quality and consumer satisfaction in real estate agency by investigating into factors influencing clients' choice in selecting agents and service quality improvement measures.
- The study revealed that real estate consumers want service quality in those areas that real estate agents remain blind to. This might be due to the inability of real estate agents to understand what the consumers actually value in service delivery. It was observed that the consumers base their opinion of quality on some factors that the service provider considered to be unimportant.

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