Influence of Location Attributes on Home Buyers' Purchase Decision

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Abstract— **Owning a home at a bad location is detrimental to its market value. Besides, demographic forces have influenced the demand for housing over the past decades. This study identifies the type of location attributes and demographic characteristics' influences on housing purchase decisions of home buyers in Iskandar Malaysia. This research intends to collect data through questionnaire. The respondents are the house owners of Taman Nusa Sentral. The data is then analysed with correlation to study the relationship between demographic and location variables. Most of the demographic characteristics, except Gender and Income, have significant influences on location facilities and services when it comes to house purchase decision. This study is able to overcome the problems of low house owning rate and oversupply and provides preferable location attributes to the housing developers.**

Keywords— *Demographics, Home Buyer, Iskandar Malaysia, Location, Purchase Decision*

1. Introduction

During the past decades, there was a rapid development in Malaysian property market especially in the industry of residential housing. In a country development, housing plays an important part, it can be said as an essential sector in property industry.

Malaysian property market has profited from the social trend of independent living, which lead to less occupants for a household in the last 20 years [1]. Therefore the demand for houses increased because population started to live independently or in smaller families. People no longer stayed with family, they bought new house

and moved out [2].

1.1. Research Background

Malaysia housing market has significantly changed during from the 1990s to now. Year 2016 is expected to be the worst year for Malaysian property due to the weaker growth in economy [3]. House prices are predicted to drop more if compared to the past few years. Buyers do not foresee any significant positive changes in the first quarter of 2016. Demand for houses is low because of lower foreign investment, lower purchase ability and poor economic [4].

Housing market of Iskandar Malaysia is still struggling. Last year, the number of project launched and transaction had fallen. There were only a small number of high rise residential projects launched. The slowdown was started in mid-2014 after the media reporting the oversupply concerns [5]. Currently, the oversupply situation of housing market in Iskandar Malaysia are making difficulties for investors and developers to clear out their properties [6].

In fact, the location attributes of a house is one of the decisive factor influencing the buyers to purchase. Some buyers prefer to live closer to the center of city, which can provide them the facilities and services they need in their daily life. However, large number of residential house construction takes place in the suburban district. The location is driving those buyers to resales [7].

Housing preferences are also based on home buyers demographic characteristics such as age, gender, and occupation. Demographic characteristics help a home buyer to evaluate the factors, which then lead to the decision to buy a house. Through the understanding of consumer preferences and factors which can influence consumer decisions, the actual demand of the market can be summarized [8].

1.2. Problem Statement

Many Malaysians continue to stay out of the residential housing market even with the attempt of federal government's at helping first-time house buyers. House owning rate among Malaysians is low compared to other Asian countries such as Singapore and Japan. The supply in house market is far beyond the demand [9].

The value of property transactions in Johor state had fallen by 33% in the last quarter of 2014, underperforming the country (-7%). The oversupply situation of property in Iskandar Malaysia, Johor is more likely to get worse [10]. Higher rate of unsold and low sales is not the main problem, main problem is current unoccupied housing stock is left many [11].

Iskandar Malaysia property market is expected to experience a further drop in sales volume as the potential home buyers will adopt a wait-and-see attitude, especially when developers go on selling at the current high prices. Home buyers are waiting for a better timing to purchase a house because there is no decisive factor to influence them [12].

There are too many options and different factors can affect a house purchase decision. However, the combination of facilities and services at the location has the most influence [13]. Bad location attributes could affect the house value, which can differ by hundreds of thousands of ringgit. Owning a home at a bad location is detrimental to its market value [14].

Besides, demographic forces, such as the decline of household size, and increase of the new household number, has influenced the demand for housing over the past decades. The most direct demographic impact on the housing demand is the household formation and dissolution rate. Households show a unique lifecycle with respect to the housing. The Youngsters move out from parents for their own households and families, they rent or purchase their first home. Most of them trade-up to a more expensive one, and eventually in old age they return to renting or living with relatives [15].

It can be concluded that the Malaysian house owning rate becomes low and the Iskandar Malaysia housing market is experiencing oversupply issue. Home buyers are waiting for better timing to purchase houses. House location attributes of housing can influence houses' value and home buyers' purchase decision. The purchase decisions are also influenced by the demographic characteristic of home buyers.

2. Literature Review

2.1. Definition of Housing Market

Housing market is about the supply and demand for houses, often in particular country or region. A main element of the housing market is the trend in house prices and average level house prices [16]. It is the trade between house buyers and sellers, including both direct sales by owners or indirect sales through agent. Companies that handle housing ownership, management or development have produced huge revenues [17].

2.2. Profile of Iskandar Malaysia

In 2006, during Abdullah Badawi's term as the 5th Malaysian Prime Minister, JB and its metropolitan region (South Johor Economic Region or SJER) was chosen to be the second economic corridor for the country, after the Multimedia Super Corridor (MSC Malaysia) in Kuala Lumpur. The aims were to compete with and yet integrate with the Singaporean economy, while at the same time to modernise JB's urban and economic infrastructure [18]. A Comprehensive Development Plan was put in place, together with a new established regional development authority directly reporting to the cabinet of the Malaysian Prime Minister. SJER was later renamed ''Iskandar Malaysia'' honouring the name of the late Sultan of Johor. Iskandar Malaysia is divided into five zones, each with a different theme [19].

2.3. Buyers' Behaviour

The understanding of the buyers to decide whether to select and purchase a particular product and service, and what factor determines their satisfaction with the products and services, is the key of a successful marketing [20]. This can be applied to all types of business that involved in controlling marketing activities.

Buyer behaviour is said to be an unusually diverse discipline, it is defined in many ways in the marketing literature. In simple, buyer behaviours are the activities people do when acquiring products and services [21]. Buyer behaviour is also defined as the study of the way individuals, groups and organisations obtain goods and services satisfy their needs and desires [22]. A more complete and broad definition, buyer behaviour is the totality of buyers' decisions with respect to the purchase of goods and services by decision-making over time [23].

2.4. Purchase Decision

This is the stage where the purchase takes place. Buyers shape their preferences from choices of available product in the previous stage. They may also intent to buy their most preferred product [22]. The decision will depend on the gained information and the evaluation made in the previous step based on the value, features and capabilities [24]. However, buyers don't always have to pass through all the stages involved in the process, their preferences and experiences would enable them to immediately make a choice [25]. The decision may be interrupted due to unexpected situations. Besides, buyers might make different purchase decisions based on their judgement of the attributes which are important to them [26].

3. Objectives

- To identify the type of location attributes that can influence Iskandar Malaysia home buyers' purchase decision.

- To study the influence of home buyer demographic characteristics to home purchase decision.

4. Research Methodology

4.1. Research Method

The objective of this thesis is to find out which location attributes and how demographic characteristics influence home buyers' purchase decisions in Iskandar Malaysia. The target population is huge, approximately 1.8 million (WorldBank 2010), this research also intends to use primary data, so quantitative is best suited for this goal.

4.2. Research Instruments

A personally administered questionnaire is used when the survey is confined to a local area, and the organisation where the survey is being conducted is willing and able to assemble groups of employees in order to respond to questionnaires at the workplace. In this situation the questionnaire is conducted and completed in person [27].

4.3. Questionnaire Design

There are two sections in the questionnaire. Every question in the questionnaire is based on the literature review. Part A provides information about respondents' demographic and socioeconomic characteristics. All of the answers of the part A were employed for the data analysis described in next chapter. Part B is about home buyers' opinions which includes location attributes. This part was used to measure the influence of the housing purchase factors on home buyers' purchase decisions.

4.4. Target Population

The population in this research consisted of all house owners who live in Iskandar Malaysia, a region with a population of approximately 1.8 million persons (WorldBank). It would have been impossible to cover the whole target population in this research.

4.5. Sampling

It was impossible to cover all house owners and potential home buyers in Iskandar Malaysia. The residents of Taman Nusa Sentral in Nusajaya are the target respondents for this research as Nusajaya is the key commercial centre of Iskandar with several successful catalytic projects in place. The estimated population is 1130 persons. A total of 285 questionnaires (using Krejcie & Morgan Table) will be given out to the residents in Taman Nusa Sentral for data collection of this research.

4.6. Data Analysis

Data analysis processes in survey research is usually done using computer programs due to the large amount of data involved. Many software programs like SPSS, Excel, SAS, STATPAK and SYSTAT are available for quantitative data analysis [28]. SPSS is the most widely used software program for the analysis of survey data, as it offers a wide range of data analysis products from data collection, analysis and modelling to report presentation. Thus, SPSS v20.0 was chosen for this study.

5. Testing and Results

Of the 285 questionnaires prepared, 116 were completed, yielding a response rate of 40.7%. Before analysing the data in-depth, it should be examined, and descriptive statistics reports should be generated so that the researcher is familiar with the data and understands the relationships between variables [29].

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5.1. Analysis for Objective 1

Table 1 : Ranking for Location Attributes

Ranking	Location and Service	Mean Score
1	School	5.72
2	Main Street	5.52
3	Workplace	5.50
4	Shopping Centre	5.18
5	Hospital	4.90
6	Public Transport	4.23
7	Recreational Park	4.23
8	Food Court	4.22
9	Nursery	4.16
10	Sports Facilities	3.79
11	Healthcare	3.76
12	Government Department	3.43

As indicated in Table 1, among the twelve items in the location of facilities and services attributes, the mean score for location close to school (5.72), main street (5.52) and workplace (5.50) were the highest. The following are shopping centre (5.18), hospital (4.90) and public transport (4.23). Location close to health centre, sports facilities and government departments had the lowest three mean scores, 3.76, 3.79 and 3.43 respectively.

Based on the mean score collected from the questionnaires, the types of location which have the most influence on Iskandar Malaysia home buyers' purchase decision are the locations which are close to school, main street and their workplace. Locations which provide sports facilities, close to health centre and government departments are not so decisive compared the former.

5.2. Analysis for Objective 2

Table 2 : Ranking of Top 20 Significant Correlation of Demographic and Location Variables

Ranking	Variables	Correlation Value
1	Education ↔ Workplace	0.310
2	Family Size ↔ Workplace	0.300
3	Family Size ↔ School	0.298
4	Marital Status ↔ Workplace	0.297
5	Number of Children ↔ Workplace	0.297
6	Family Size ↔ Main Street	0.292
7	Number of Children ↔ School	0.290
8	Occupation ↔ Workplace	0.287
9	Occupation ↔ School	0.286
10	Age ↔ Workplace	0.275
11	No. of Children ↔ Main Street	0.266
12	Education ↔ Main Street	0.252
13	Education ↔ School	0.248
14	Marital Status ↔ School	0.244
15	Age ↔ School	0.243
16	No. of Children ↔ Park	0.236
17	Family Size ↔ Park	0.236
18	Occupation ↔ Main Street	0.233
19	Age ↔ Hospital	0.210
20	Occupation ↔ Park	0.188

Table 2 shows the ranking of the top 20 correlation values between the two variables. It is obvious that the locations close to school, main street and workplace do more influence to a purchase decision. 8 out of 20 from the top ranking include Family status such as family size and number of children, family status has the most significant influence towards all the location variables. Age, education and occupation also have high influence on evaluating the house location. Their average correlation value are higher than 0.22.

At the 1st place of the ranking, it suggests that the purchase choices of house owners who have higher educational qualifications are more influenced by location close to workplace. The correlation value between education and workplace is 0.310, highest among all of the relationships. This result suggests that overall, the purchase decisions of consumers who have a higher educational qualification are more influenced by location close to workplace than the purchase decisions of consumers who have lower qualifications.

Correlation between Family size and workplace rank the 2nd with the value of 0.300. Home buyers with larger family prefer location close to their workplace. As their daily routine are busier than small size family, a house which is near to workplace is more preferable. Besides, family size also has very significant correlation with location close to school. The correlation value is 0.298 which rank the 3rd among all. A home buyer with more children tends to prefer a house location which is close to school. They might be able to send their children to school every weekday. Gender and Income do not influence the location variables as much as the mentioned. Their average correlation values are lower than 0.1 which means least significant or almost no influence towards the location variables.

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In conclusion, Age, marital status, educational background, occupation and family size and number of children all had significant influences on location facilities and services. However, **Gender** and **Income** did not have significant influences on the location attributes when it comes to home buyers' purchase decisions.

5.3. Summary of Research Results

This research investigated the relationship between location attributes and home buyers' purchase decisions in Iskandar Malaysia. In brief, the findings are: location close to school, main street and workplace are more preferable by consumers; home buyers' purchase behaviour varies across demographic segments: age, marital status, education background, occupation, and family status. Different demographic characteristic of a consumer can influence their evaluation of location attributes, thus affecting their home purchase decision.

6.   Results and Discussions

6.1. Objective 1: What type of location attributes can influence Iskandar Malaysia home buyers' purchase decision?

Research question 1 regarding the influence of location attributes on home buyers' purchase satisfaction were tested using likert scale and mean analysis. Results of the analysis shows the preferences of house location of potential home buyers and house owners.

Home buyers are more likely to choose a location which is close to school, main street and their workplace. Shopping centre and hospital will also be in consideration when making a home purchase decision. However, location close to sport facilities, health centre and government departments are not in their choice.

Home buyers' judgments of location attributes may be different, they might be more willing to choose a location which can have the most impact on their perceived value of housing products as they tend to be value maximisers [30].

6.2. Objective 2: How Home Buyer Demographic Characteristics Influence Location of Purchase Decision ?

Demographic differences were first introduced in the literature review in Section 2.7. Several researchers mention the influence of demographic characteristics on home buyers' purchase decisions in Asian countries [31], however, they do not detail specific demographic influences on home buyers' final purchase decisions in the residential housing market in Malaysia. Thus, this research is considered the first comprehensive test of specific demographics inAsian residential housing industry.

Age, marital status, educational background, occupation and family status all significantly influenced location of home buyers' purchase decision; on the other hand, gender and incomes did not have significant influences on the location of home buyers' purchase decision.

This research found that although the importance of location considerations varied significantly according to gender, home buyers' final purchase decisions were not significantly influenced by these variations. Gender difference had no significant influence on location of home purchase decisions. This finding is quite different to the results of past studies. A study in an Asian country, Saudi Arabia, suggested females considered each of these location attributes more important than males did [31]. This finding suggests that the gender difference is not an important consideration when choosing a house location in Iskandar Malaysia.

This research also found that the education level and occupation of a person has high influence on making a purchase decision in a location. Home buyers consider the location close to main street and their workplace when making a purchase decision. Other house locations have moderate or less influence to them.

Besides, this research found that the purchase decisions of consumers with children are more influenced by location attributes than the consumers without children. When comparing home buyers with children or with larger families to those without children or with smaller families it is clear that the former groups tend to have more demand for location than the latter groups. Consequently, the former groups tend to have stricter purchase choice criteria in location attributes especially the location close to school and recreational park.

Location which is close to School and Workplace has significant influence to the purchase decision of a home buyer regardless of their demographic variables. Potential home buyer with different demographic characteristics tend to prefer house location which is close to school and workplace as these are the location they need to access to in their everyday schedule.

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In summary, this research found that some demographic variables (age, marital status, education backgrounds, occupation and family status) do have an effect on location of housing purchase decisions in Iskandar Malaysia.Figure below shows the top 20 correlations between demographics and location variables.
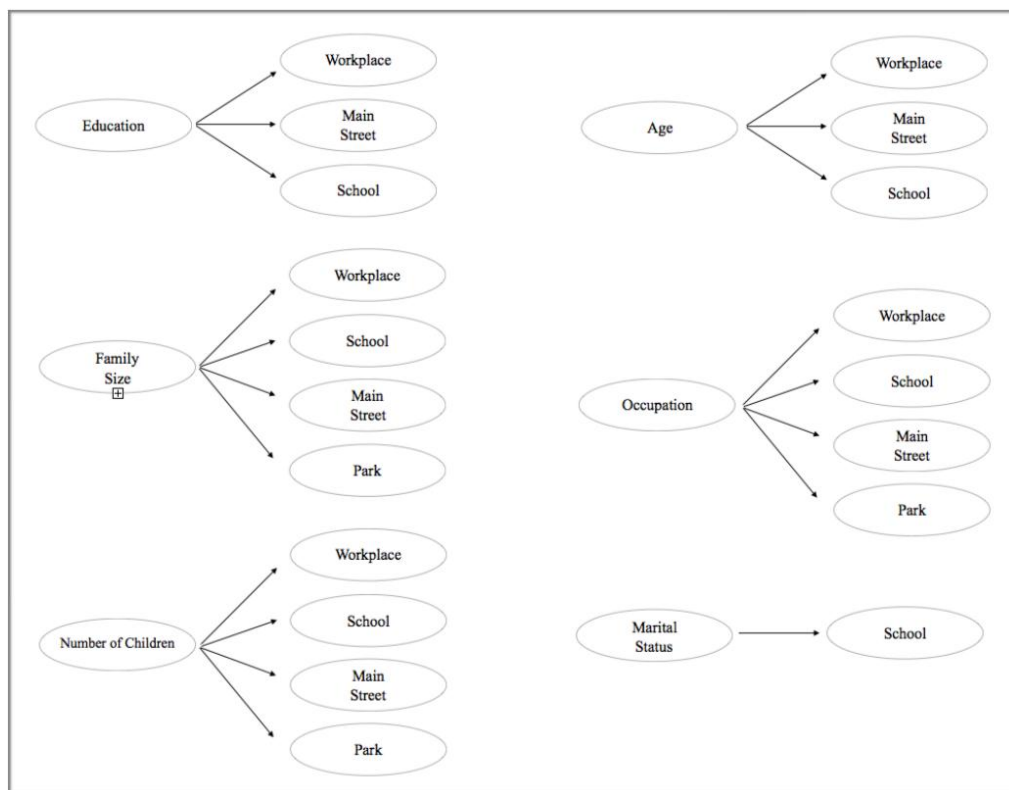

Figure 1. Top 20 correlations between demographics and location variables

Acknowledgement

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