Abstract: Property buying behavior is part of the development of financial behavior. This research will be focused on the buyers perspectives on residential and commercial properties in Bali Island of Indonesia. Rational and irrational factors are the factors underlying the property buying process. The Physical, Location, Environment, Finance factors were part of the rational; while Psychological (over-confidence, conservatism bias, information and familiarity, herd behavior, mental accounting, and loss aversion), Emotion, Intuitional, Socialization, Evaluation were the irrational part. The purpose of this study was, first, to determine the factors that distinguish buyers behavior toward purchasing a property; second, to determine the factors that distinguish buyers behavior between buyers intending to live in compared to those seeking to invest. The study sample consisted of individuals who are prospective buyers and those who have bought property in Bali. Data were analyzed using Discriminant Analysis. The results showed that only financial factor that had significant impact on buyers decisions. Furthermore, this study also showed that there were significant differences in factors between buyers intending to live in compared to those seeking to invest. The factor were psychology, emotion, intuitional, and evaluation.

Keywords: Rational, irrational, live in, investment, Bali

1. Introduction

Real estate is often approached as a financial asset. In reality, real estate is both a financial asset and a physical resource, a resource that is comprised of the site itself and the externalities that surround it and connect it to other parcels or activities. The prices of this resource is a result of individual negotiations rather than some listing price that is offered to the broader market. Thus, the real estate discipline must be approached as a behavioral science because of its inefficient market. (DeLisle, n.d). Buying a property is one of the most significant financial decisions that people make, and it requires collecting a lot of information regarding its features. Behavioral research focuses on concepts that affect the market search and price-setting processes. Greater knowledge of the factors influencing buyers' behavior will lead to better understanding and prediction of decision making in real estate markets (Daly et al. 2003).

Survey of property behavior will be held in Bali because annual economic growth of Bali is very good at 6.6%, above the national Indonesian economic growth by 6.1%. A survey conducted by Knight Frank proved that land price in strategic areas of Bali has increased rapidly up to 43%, the highest increase in the last 10 years. This land prices continue to rise earlier varies between 8% to 16% ("Bali Property Prices record in 2013", 2013). The Wealth Report 2014 issued by Knight Frank showed that the highest property prices in the world occurs in Jakarta that is equal to 33% and Bali was at third stage after Auckland, 22% (Knight, 2014).

Furthermore, this study is micro-oriented which investigates individual behaviors and the reasons behind them. The factors consisted of rational and irrational factors. This kind of studies has not much been investigated in the Indonesian market, particularly in the real estate. From previous studies, researcher classified the important factors affecting the decision to buy a property which are consist of Physical, Location, Environmental, Financial for the rational part; and Psychology, Emotion, Intuitional, Socialization, Evaluation for the irrational part.

Statement of the problem:
1. What are the factors that distinguish buyer buyers behavior toward purchasing a property?
2. What are the factors that distinguish buyers behavior between buyers intending to live in compared to those seeking to invest?
REFERENCES


