

## Factors Influencing the Purchase of Apartments: Some Empirical Evidence

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### Abstract

*The paper analyzes the factors influencing the purchasing decision of the customers of residential apartments. The study is based on a sample of 200 customers associated with a few apartments located at Ernakulam city of central Kerala. The findings of the study show that of the ten factors influencing the decision of purchasing an apartment, the most significant ones are firstly the price of the apartment, secondly the quality of the apartment, thirdly the location of the apartment, and so on. The least significant factor (i.e. ranked tenth) is observed to be affordability of interest rate and long term repayment of loan. Based on the findings of the study, suggestions are made for informed decisions on design and development of residential apartments, including strategies for effective marketing such apartments.*

**Key Words:** Residential real estate, Apartments, Purchase decision, Marketing strategies

### 1. Introduction

Kerala has its own sobriquet 'God's Own Country' for many reasons but it is mainly on the ground that it's natural beauty with green affluent settings and attractive landscape. The real estate sector is one of the fastest growing sectors of this state with an enviable tourism potential. In terms of its employment generation, the housing and real estate sector in India is second only to agriculture, and it contributes heavily to the economic development of the nation. In Kerala construction of residential apartments is fast progressing due to the growing demand for such products. The key real estate developers are actively marketing their products – either completed or under construction. The fierce competition in this market segment, in fact, forces developers to offer products with features that exactly conform to the expectations of their customers.

### 2. Relevance and Significance

Looking into the residential apartment scenario at Ernakulam city limits from a different perspective, it is noted that even when the competition is intense the price of the apartments

is on the rise with the increase in their demand. The customers blessed with regular and gainful employment, the business class, leading professionals etc. are growingly into the purchase of apartments. In Ernakulam district of central Kerala, areas like Thrippunithra, Vyttila, Edappally and Ernakulam Marine Drive have such a high level of real estate potential that they are supposed to be unique places in the whole Kerala, or even India. As such, these areas have witnessed the growth of large number of residential apartments in the recent past. Often these are highly priced because of their heavy demand. It may be noted that all these places are blessed with the vicinity to the Cochin International Airport Limited (CIAL) which is located at Nedumbassey, about 20 to 35 kilometers from these areas. Their other attractions include proximity to railway station, hospitals, educational institutions (including reputed professional colleges and universities) etc. Needless to mention, all these areas are declared as upcoming tourist destinations by the Government. As customers are increasingly into purchase of high quality

real estate products like apartments in these areas, it is very meaningful for the real estate developers to understand the factors that influence them in making their purchasing decisions.

### 3. Literature Review and Research Gap

Best, Coney and Mokherjee 2007 [3] in their book on Consumer Behaviour have discussed the various factors affecting consumers' purchasing behaviour. The book elucidates such aspects as types of consumer decisions, purchase involvement and product involvement. The book has emphasized the need for information search process for the purchase of the products. Hua Kiefer, 2007 [6] has noted that buying an apartment is one of the most significant economic decisions that people make, and it requires gathering a lot of information regarding its features. Batra, S, K & Kazmi, (2008) [2] have discussed the consumer decision making process, buyers black box and importance of consumer behaviour studies for marketers to understand as to what satisfies the ultimate consumer. Abelson & Chung 2005 [1] have observed that buyers' preference for real estate products are related to the quality of property, specific attributes such as location, neighborhood or infrastructure improvement etc. Plabdaeng (2010) [9] has noted that purchase decision making is the one activity that people always make. According to Sidin, Zawawi, Wong, Busu, & Hamzah, (2004) [10] and Quigley (1976), features of the apartment will be a significant determinant of a household choice of residence. Gabriel and Rosenthal, 1989 [5] have noted that family members would have different roles to play while making purchase decision, and that neighborhood quality is one of the determinants of a household's residential choice. Friedman 1980 [4] has estimated the role of local public services on residential location choice. A recent study by the present authors, Nasar K. & Manoj P K (2013) [7] has analyzed the behavior of real estate investors in making investment decisions, like the various personal and behavioral factors influencing their purchase decisions. In another recent study the present authors Nasar K

& Manoj P K (2013) [8] have identified the factors influencing the customer satisfaction that are relevant for developing a business model for the real estate agency business. Accordingly, goodwill of the agent, real estate property, information delivery, behavior of agents, punctuality and emergency services are the relevant factors in that order.

Therefore, this study seeks to identify the factors influencing the purchasing decision of customers towards apartments, including ranking these factors in the order of their priority. These findings can facilitate informed decisions by the developers, both in respect of design of such projects and subsequent marketing thereof.

### 4. Statement of the Research Problem

The real estate developers while marketing the residential products, tries to rectify the defects of their previous products that were noticed subsequently. At the same time, they give due regard to the factors that are supposed to significantly influence the purchase decision of their prospective customers in respect of new products. Therefore, developers have to focus acutely on the major issues, prior to the marketing of their real estate residential apartments. Therefore, in order to analyze such issues and hence to arrive at meaningful solutions thereof, the following research problem has been set for this paper: What are factors that customers consider before they make purchase decisions in respect of real estate residential apartments?

### 5. Objective of the study

- i. To understand the factors that significantly influence the purchase decision of customers in respect of real estate residential apartments with reference to Ernakulam city in Kerala;
- ii. To rank the factors influencing purchase decision of customers in the order of significance, ie. from the most significant one to the least significant one; and
- iii. To suggest suitable strategies for more informed marketing of real estate residential apartments as well as scientific design and development of such products,

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as per the expectations of the customer as revealed on the basis of this study.

#### 6. The Study Area

Ernakulam city limit in Kerala state in Indian union is selected for this study. Researchers have selected four areas within Ernakulam city limits (Purposive Sampling) with high potential for development of real estate residential apartments viz. (1)Thrippunithara, (2). Ernakulam Marine Drive, (3)Vyttila, and (4) Edapally. All these locations have been registering very high growth rates in construction of residential apartments during the last one decade.

#### 7. Research Methodology.

The study was conducted in Ernakulam city limit during the year 2014. The focus group for this research work was mainly real estate consumers. A total of 235 customers were randomly selected by the authors from the four locations in the study area as already noted. This is believed to be a fair representation of the entire population. The study adopted self-administered questionnaires as its data collection instrument. Total 235 questionnaires with 10 variables included. Out of 235 questionnaires distributed,

200 were retrieved (85.106 %) and 35 number of questionnaires (14.894%) were not responded properly. Therefore, 35 questionnaires were rejected. Each customer was asked to respond all the variables in a questionnaire on a five-point Likert scale where *1 = Least Important, 2= Less Important, 3= Moderately Important , 4 = Important, and 5 = Most important*. The following questions relating to the purchase decision of customers in respect of real residential apartments were posed to the respondents

- (A) Price of apartment.
- (B) Location
- (C). Quality of apartment
- (D). Image of developers and apartment
- (E). Motivation from parents/ friends
- (F). Proximity of educational institution/ Hospitals/ bus and rail stations.
- (G). Number of bed rooms and living space
- (H). Basic facilities in apartment
- (I). Accessibility of loan from bank for apartment.
- (J). Affordable interest rate and long term repayment of loan

**Table: 1**

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	180	90.0	90.0	90.0
	Female	20	10.0	10.0	100.0
	Total	200	100.0	100.0	

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Table: 2

Age				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 21 - 30	24	12.0	12.0	12.0
31-40	76	38.0	38.0	50.0
41-50	72	36.0	36.0	86.0
51-60	20	10.0	10.0	96.0
61 AND ABOVE	8	4.0	4.0	100.0
Total	200	100.0	100.0	

Table: 3

Educational Qualification				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Up to 10 th	20	10.0	10.0	10.0
Secondary	36	18.0	18.0	28.0
Diploma	36	18.0	18.0	46.0
Graduate / Post Graduate	84	42.0	42.0	88.0
Engineering / Medicine	24	12.0	12.0	100.0
Total	200	100.0	100.0	

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**Table:4**

Area of Residence				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Urban	140	70.0	70.0
	Semi urban	44	22.0	92.0
	Rural	16	8.0	100.0
	Total	200	100.0	

**Table: 5**

Occupation				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Business	116	58.0	58.0
	Professional	44	22.0	80.0
	Govt: Service	20	10.0	90.0
	Others	20	10.0	100.0
	Total	200	100.0	

**Table:6**

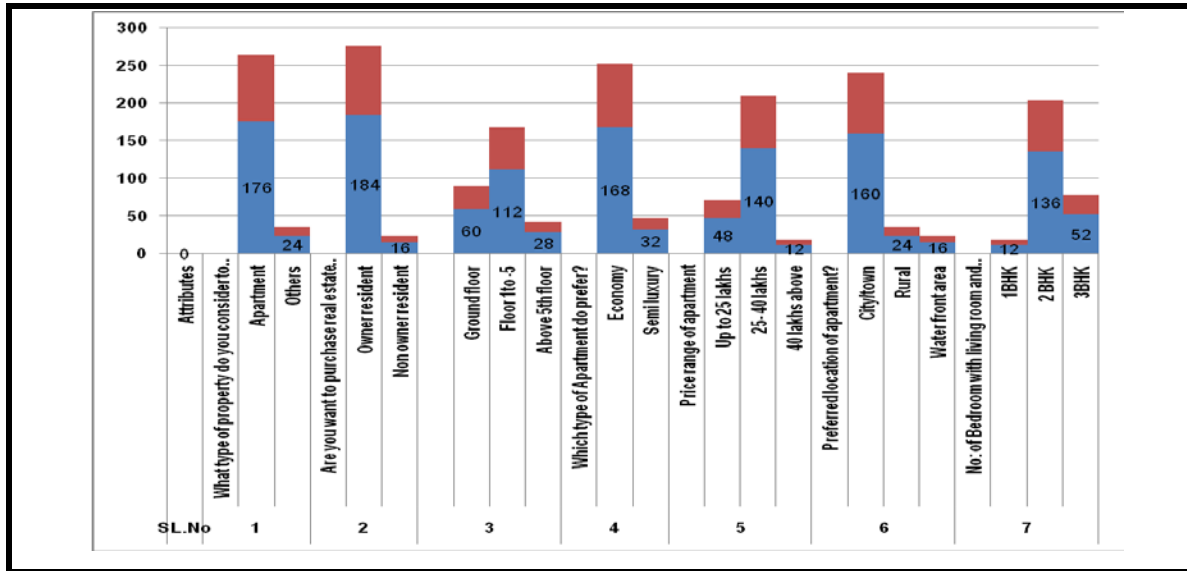
Income level				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3 lakhs- 5 lakhs	32	16.0	16.0
	5 lakhs – 9 lakhs	120	60.0	76.0
	9 lakhs above	48	24.0	100.0
	Total	200	100.0	

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**Table: 7 Description of the Residential Property of the Customers**

SL.No	Attributes	Frequency	percentage	
<b>1</b>	<b>What type of property do you consider to purchase?</b>			
	Apartment	176	88	
	Others	24	12	
<b>2</b>	<b>Are you want to purchase real estate apartment as?</b>			
	Owner resident	184	92	
	Non owner resident	16	8	
<b>3</b>	<b>Which floor of the apartment do you prefer purchase/ live in?</b>			
	Ground floor	60	30	
	Floor 1to -5	112	56	
	Above 5 <sup>th</sup> floor	28	14	
<b>4</b>	<b>Which type of Apartment do prefer?</b>			
	Economy	168	84	
	Semi luxury	32	16	
<b>5</b>	<b>Price range of apartment</b>			
	Up to 25 lakhs	48	24	
	25- 40 lakhs	140	70	
	40 lakhs above	12	6	
<b>6</b>	<b>Preferred location of apartment?</b>			
	City/town	160	80	
	Rural	24	12	
	Water front area	16	8	
<b>7</b>	<b>No: of Bedroom with living room and kitchen?</b>			
	1BHK	12	6	
	2 BHK	136	68	
	3BHK	52	26	

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**Figure: 1 Diagrammatic Description of Customers' Purchase Decision on Apartments**

Source: Authors study

Figure: 1 show the customers' decision to purchase the residential apartment and variety of its factors they prefer while decide to purchase. From the figure it can understand that most of the customer's choice to purchase residential apartment. They (184/200) want to purchase it for their own residential purpose. Most of the customers prefer 1 floor to 5<sup>th</sup> floor. The majority of customers make decision to purchase economy apartment with 2 BHK facilities. Considering the proximities of many

factors prefer to purchase apartment at city/ town area. Table 8 shows the factors influencing the purchase decision of customers in their order of significance. It is noted that Price of the Apartment is the most significant factor (Rank 1, M value 4) and is followed by the second factor, Quality of the Apartment (Rank 2, M Value 3.72). Figure 2 shows the factors in the descending order of significance.

**Table: 8 Attributes of Purchase Decision and their Relative Ranking (Descending Order)**

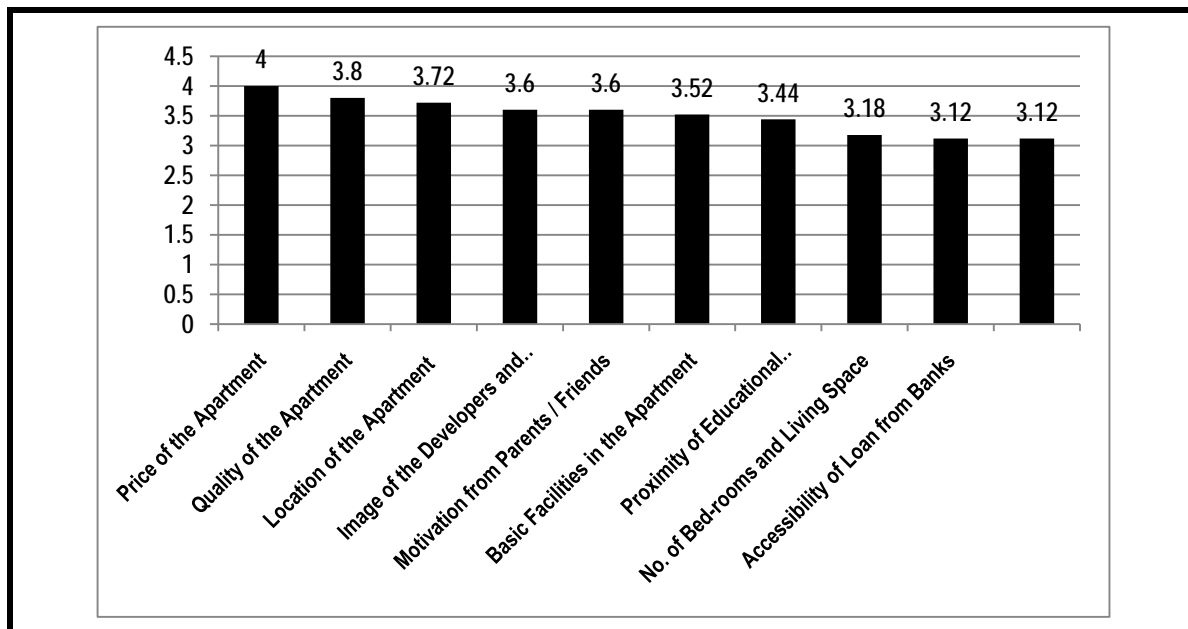
Variable	Description	M Value	Rank
PDR: 19A	Price of the Apartment	4.0000	1
PDR: 19B	Location of the Apartment	3.7200	3
PDR: 19C	Quality of the Apartment	3.8000	2
PDR: 19D	Motivation from Parents / Friends	3.6000	5
PDR: 19E	No. of Bed-rooms and Living Space	3.1800	8
PDR: 19F	Image of the Developers and Apartment	3.6000	4

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PDR: 19G	Basic Facilities in the Apartment	3.5200	6
PDR: 19H	Proximity of Educational Institutions, Hospitals, Bus etc	3.4400	7
PDR: 19I	Accessibility of Loan from Banks	3.1200	9
PDR: 19J	Affordable Interest Rate and Long Term Repayment	3.1200	10

Source: Based on analysis of Survey data

**Table: Order (Descending) of Factors Influencing Purchase Decision of Apartments**



(Source: Developed based on data given in Table 8)

## 8.

### Findings of the Study

1. The study revealed that price of the apartment (M. Value- 4.00) is most influencing attribute for the customer perspective to purchase the real estate residential apartment.
2. The least influencing factor is Affordable interest rate and long term repayment of loan (M. Value- 3.12).
3. The quality of the apartment as 2<sup>nd</sup> important influencing factor
4. The factors location 3<sup>rd</sup>, image of developers and apartment 4<sup>th</sup>, motivation from parents/friends 5<sup>th</sup>, basic facilities in apartment 6<sup>th</sup>, proximity of educational institution/ hospitals/ bus and rail stations 7<sup>th</sup>, number of bed rooms and living space 8<sup>th</sup>, and accessibility of loan from bank for apartment 9<sup>th</sup> are influencing the different rating for the customers to make decision to purchase real estate residential apartment.

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5. From the study it is revealed that 92 percentage of customers are want to purchase the residential product as owner and 8 percentage as non owner
6. 88 percentages of the customers have the decision to purchase residential apartment and other types of residential comes 12 percentage.
7. Most of the customers (56 percentage) prefer to purchase residential apartment with the facilities and floor areas from 1 to 5<sup>th</sup>, ground floor 30 and above 5<sup>th</sup> comes 14 percentage.
8. It was revealed in the study that the customers prefer to purchase city/town located apartment. Likewise, most of them have with decision to purchase 2BHK facility of apartment (68 percentage) and with economy (84 percentage)

#### 9. Limitation of the Study and Scope for Further Exploration

The study is limited in scope to the purchasing behavior of customers with reference to four selected locations within in Ernakulam city of central Kerala. Thus, similar studies at other major locations within Kerala (like, Kozhikode, Thiruvananthapuram etc.) where also fast real estate activities are going on would give clearer and more realistic picture.

#### 10. Suggestions

1. It is suggested that real estate developers in general and residential real estate developers in particular should reckon top-most priority to the major factors that customers consider (as already pointed out in the order of significance) in their decision-making process prior to their actual purchase residential apartments. These factors be given priority in a way conforming to the customers'

- expectations, as revealed in the relative ranking of factors.
2. Customer decision making is one of the most important areas of customer behavior and their attempt to collect data with regard to the real estate residential products would definitely open the minds of real estate developers towards modifying their products.
3. From the developers' perspective, they are not delivering any significant service to the customers after the purchase has been made by customers. Therefore, developers try to market their products as those with high quality standards that last for long, so as to minimize their commitments to customers regarding repairs, upkeep etc. of the products that they are marketing.
4. Buyers' preference for real estate products are related to the quality of property [Abelson & Chung, 2005]. In the event of noticing any unqualified real estate products, the developers would go for marketing them only after rectifying their defects.

#### 11. Concluding Remarks

This study identifies the variables influencing the purchase decision of customers to purchase residential apartment at Ernakulam city limit in Kerala. The major contribution of this study is that the researchers could provide guidelines to the residential property developers regarding the significant factors, in the order of significance, which have to be duly considered in future while developing their product marketing strategies. The customers who aspire to be the real owners of residential apartments would naturally expect minimum requirements, amenities and various convenience factors in the residential apartments that they want to purchase. The quality features

of apartments in the study area are still having some problems, particularly relating to the basic amenities, and it will take some time to resolve such problems. After the delivery of residential apartments the developers normally get free themselves from further issues, and delivery of further services and resolution of various problems are often handled by the customers through the frequent and timely interaction with the respective residents' associations.

Therefore, the developers have to give due regard to the prominent factors that customers expect from the developers in their decision making process that precedes their actual purchase of apartments. Constant interaction of the developers with the respective residents' associations would give them more practical insights on a regular basis that can be used meaningfully in the design and development as well as marketing of their future apartment projects.

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