



The Acquirer's Preference in the Purchase of Housing Property with Reference to Coimbatore

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ABSTRACT

The real estate sector in India is witnessing a rapid growth in the residential, commercial and industrial segments. Real estate development, once restricted to bigger cities, has shown marked progress in smaller cities and towns owing to the availability of bank loans, higher earnings and improved standard of living. Due to the changing demographic profile in India, there has been a steady decline in the portion of households living in rented premises. To a certain extent, this may be attributed to rising income levels, making the situation conducive to the buyers to purchase a property for self use as they are currently staying in rented houses. Thus, the study focuses on the social attributes and financial attributes in the acquirer's preference with regard to the purchase of the housing property.

KEYWORDS : Housing preference, Real estate, Social attributes, Financial Attributes, Purchase decisions

Introduction

Real estate in India continues to be a favoured destination globally for investors, developers and non-resident Indians (NRIs), driven largely by investor-friendly government policies and increasing globalisation. The second largest employment generation sector after agriculture, real estate contributes about 6.3 per cent to India's gross domestic product (GDP). The foreign direct investment (FDI) in the sector is expected to touch US\$ 25 billion in the next 10 years from US\$ 4 billion in 2013.

According to Census 2001, 187 million houses have been reported to be used for residence or residence-cum-other use by about 192 million households. Thus, more than one household has been reported from some of the houses. The condition of nearly 94 million of these houses has been reported as being 'Good', nearly 83 million as 'Livable' and 10 million as 'Dilapidated'. This large number of households living in 'Dilapidated' houses surely needs immediate attention. As per the analysis of the Technical Group of National Housing Bank (NHB), a subsidiary of Reserve Bank of India (RBI), it was estimated that the housing shortage in India was at 18.78 million with 95% shortage in Economically Weaker Section (EWS)/ Low Income Group (LIG) segments in 2012.

The real estate sector in India is witnessing a rapid growth in the residential, commercial and industrial segments. Real estate development, once restricted to bigger cities, has shown a marked progress in smaller cities and towns owing to the availability of bank loans, higher earnings and improved standard of living. A study commissioned by HUDCO, which was carried on by the Indian Institute of Management, Ahmedabad, to examine the impact on GDP and employment owing to the investment in the housing sector, had found that the housing sector was ranked third amongst the 14 major sectors in terms of direct, indirect and induced investment in all sectors of economy.

Due to the changing demographic profile in India, there has been a steady decline in the portion of households living in rented premises. To a certain extent, this may be attributed to rising income levels. However, with fewer properties available on rent today and an increase in the rents being charged on tenants, consumers have increasingly been investing in property. Factors such as increase in the standard of living of consumers and greater availability of financing for consumers are expected to fuel a further decline in the number of households renting premises (CRIS INFAC Annual Review on Housing Industry).

The present situation is conducive to the home buyers to purchase a property for self use as they are currently staying on rent. Home buyers want to buy property to meet the growing family requirements

and for long term investment. But the basis of their preference of housing property is not apparent, which made the researcher to take up the present study. Thus, the study focuses on the social attributes and financial attributes in the acquirer's preference with regard to the purchase of the housing property.

Review of literature

Housing Sentiment Index (HSI) (2014): The survey shows that of the prospective buyers 71% prefer apartments (HSI 116) while 14% prefer villas (HSI 105) and 12% prefer land/plot (HSI 128). Compared to the previous quarter, HSI for apartments has risen over 9%, while HSI for villas has dropped by 7%. Of those who prefer flats, 75% intend to purchase for use as residence while 72% of villa buyers intend to purchase with the intention of staying with family. Of the land owners, 50% intend to purchase with the intention of residing with their families after construction of property on the land. More than half (53%) of prospective buyers live in rented accommodation (HSI 115), 30% live in their own houses (HSI 115) and 16% live with parents/relatives (HSI 120).

Abdul Hamid Mar Iman (2012): The results of his study show that the most pertinent attributes of high-cost residential properties trade-off by the respondents are type of property, design and features, price, built-up area, location, and reputation of the developer. Together, these attributes explain about 74% of the buyers expressed utility of the product purchased. By using a hold-out sample of respondents, a conjoint analysis has predicted the buyers expressed utility with a reasonable level of accuracy.

Jain and Mandot, (2012) have observed that demographic criteria, namely age distribution, gender, marital status, qualification, occupation, number of households, educational level and annual income perform as main factors that have a high impact on property purchasing activities.

Lutfi, (2010): Marital status affects the buyers' decision making process. The marital status of different buyers such as single, married, single mother, single father result in different preferences. This will influence the individual's basic needs and restrict his capacity or budget to purchase housing units. Married people usually prefer to have their own houses.

Swan, (1995): has stated that age could identify the demand in housing market. According to him, people above 65 years old are reluctant to buy a house even if they can afford it. On the other hand, young people are more prone to buying a property. Nevertheless, those under 30 years old are less likely to commit themselves to purchasing property since many will not have attained their financial stability.

Objectives

1. To study the personal and demographic profile of the respondents.
2. To study the social attributes which influence the acquirer's preference in the purchase of the housing property and
3. To study the financial attributes which influence the acquirer's preference regarding the same.

Methodology

Descriptive research design was adopted for the present study. The population for the study consisted of residents of Coimbatore. For the purpose of the study fifty six respondents in Coimbatore city were interviewed using a structured questionnaire. The questionnaire consists of three parts, namely demographic, social attributes and financial attributes related to the preference of housing property. The data was analysed using the statistical tool, namely percentage analysis. The findings of the study shall not be generalised and applicable to other geographical areas. Random Sampling technique was not used in the present study.

Analysis and Interpretation

Table – 1 Personal and Demographic profile

Variable	Particulars	No. of Respondents	Percentage
Gender	Male	41	73.2
	Female	15	26.8
Age	20-30	12	21.4
	31-40	26	46.4
	41-50	16	28.6
	Above 50	2	3.6
Marital Status	Single	8	14.3
	Married	48	85.7
Educational Qualification	10th or below	4	7.1
	10th, 12th or below	4	7.1
	Graduate	15	26.8
	Post Graduate and above	27	48.2
Residence	Owned	38	67.9
	Rented	18	32.1
Employment	Salaried	44	78.6
	Self Employed	7	12.5
	Professionals	5	8.9
House income	Rs.10,000-Rs.25,000	12	21.4
	Rs.25,001-Rs.50,000	17	30.4
	Rs.50,001-Rs.75,000	23	41.1
	Rs.75,001-Rs.1,00,000	2	3.6
	Above Rs.1,00,000	2	3.6
Dependants	1	4	7.1
	2	10	17.9
	3	29	51.8
	4	13	23.2
Earning members	1	7	12.5
	2	35	62.5
	3	14	25.0
Purchase category	Intended to purchase	15	26.8
	Decided to purchase	13	23.2
	Already purchased	26	46.4
	Intended for subsequent purchase	2	3.6
Properties acquired	1	36	64.3
	2-3	20	35.7

Property type	Individual House	37	66.1
	Apartment	17	30.4
	Vacant Plot	2	3.6
Property owned by	Self	31	55.4
	Spouse name	5	8.9
	Both	9	16.1
	Jointly with parents	11	19.6

The above table shows that the majority (73.2 percent) of the respondents were male and 46.4 percent of the respondents belonged to the age group of 21-40 years, and the majority (85.7 percent) of them were married. The educational qualification of the respondents shows that 48.2 percent of them had completed their post graduation, 67.9 percent of the respondents were residing in their own houses, and 78.6 percent of the respondents were salaried. And, out of the total salaried respondents, 67.9 percent of them were working in private limited companies, 26.8 percent were working in banking and 21.4 percent in IT companies. The income of the family reveals that 41.1 percent of them were earning Rs.50,001 to 75,000, 51.8 percent of the respondents had 3 dependants and 62.5 percent of the respondents had 2 earning members in the family.

The above table shows that 46.4 percent of the respondents had already purchased the property, 64.3 percent of the respondents already acquired one property, 66.1 percent of the respondents acquired individual houses and 55.4 percent of the respondents acquired the properties in their own names.

Table – 2 Social Attributes behind the preference in the purchase of housing property

Variable	Particulars	No. of Respondents	Percentage
Nature of landed property	Bought by a sale deed	51	91.1
	Through partition deed/will	2	3.6
	Through release deed/exchange deed	3	5.4
Local governing body	Corporation	35	62.5
	Municipality	8	14.3
	Town panchayat	4	7.1
	Village Panchayat	9	16.1
Reasons for purchase decision	Employment	8	14.3
	Investments	44	78.6
	others reasons	4	7.1
Impact on acquiring decision	Land costs	26	46.4
	Title security	12	21.4
	Neighbourhood aesthetics	2	3.6
	Home origin	2	3.6
	Previous place of residence	3	5.4
	Roads and facilities	6	10.7
Major factors of purchase decision	Connectivity	5	8.9
	Self decision	15	26.8
	Based on spouse opinion	7	12.5
	Based on family members' views	34	60.7
Place of Property	Urban	44	78.6
	Rural	5	8.9
	Urban Peripheral	5	8.9
	Rural Peripheral	2	3.6
Chance of buying another property	Urban	48	85.7
	Rural	4	7.1
	Urban Peripheral	2	3.6
	Rural Peripheral	2	3.6

The above table shows that majority (91.1 percent) of the respondents bought their property by a sale deed, 62.5 percent of the re-

spondents' properties was governed by the Corporation, 78.6 percent of the respondents stated that they purchased the property for the purpose of investment, 46.4 percent of the respondents stated that land costs impacted much on their decision on acquiring property. The above table also shows that 60.7 percent of the respondents stated that family members' views were the major factors in purchase decisions. The majority of the respondents (78.6 percent) stated that their properties were situated in urban areas and again majority of the respondents (85.7 percent) stated that if given chance for buying another property they would purchase it in urban places.

Table –3 Financial Attributes behind the preference in purchase of housing property

Variable	Particulars	No. of Respondents	Percentage
Cost incurred to own property	< 25 Lacs	21	37.5
	26-50 Lacs	33	58.9
	51-75 Lacs	2	3.6
Major impact on purchase decision	Affordability	31	55.4
	Launch day special offer	7	12.5
	Cheaper price	11	19.6
	Any other special discounts	7	12.5
Mode of finance for acquiring property	Savings	18	32.1
	Housing finance	38	67.9
Rent amount if property let out	Rs.3000-Rs.5000	6	10.7
	Rs.5001-Rs.7500	6	10.7
	Rs.7501-Rs.10000	19	33.9
	Above 10000	25	44.6

The above table shows that 58.9 percent of the respondents incurred cost between 26-50 lacs for purchase of their property, 55.4 percent of the respondents stated that affordability was the foremost factor which influenced their purchase decision. The majority of the respondents (67.9 percent) preferred housing finance for acquiring property and 44.6 percent of the respondents stated that they would charge a rent of Rs.10000 if their property was let out.

Salient Findings

- Almost three fourth (73.2 percent) of the respondents were male.
- Nearly half (46.4 percent) of the respondents belonged to the age group of 21-40 years and the majority (85.7 percent) of the respondents were married.
- Less than half (48.2 percent) of them had completed their post graduation.
- Two third (67.9 percent) of the respondents were residing in their own houses.
- 41.1 percent of the respondents were earning between Rs.50,001 to 75,000
- Nearly half (46.4 percent) of the respondents had already purchased the property, 64.3 percent of the respondents already acquired one property, 66.1 percent of the respondents acquired individual houses and 55.4 percent of the respondents acquired the properties in their own names.
- More than three fifth (62.5 percent) of the respondents' property was governed by the Corporation,
- The majority (78.6 percent) of the respondents stated that they had purchased the property for the purpose of investment,
- Less than half (46.4 percent) of the respondents stated that land costs impacted much on their decision on acquiring property.
- Three fifth (60.7 percent) of the respondents stated that family members' views were the major factor of purchase decisions.
- Majority of the respondents (78.6 percent) property was situated in urban areas
- Less than three-fifth (58.9 percent) of the respondents have incurred cost between 26-50 lacs for purchase of their property,
- More than half (55.4 percent) of the respondents have stated that affordability was the foremost factor which influence their purchase decision.
- For the majority of the respondents (67.9 percent) the mode of

financing for acquiring property was utilising housing finance loans.

Future Scope of the Study

1. A detailed investigation into the impact of each attribute on others may be studied.

2. As the present study confines itself to Coimbatore district alone, the researchers shall extend the study on a comparative basis by including other geographical areas.

Conclusion

The study concludes that both the social and economic attributes impact in the preference shown in the purchase of housing property. The study found that investment was the ultimate reason for purchasing housing property and views of family members and the cost of land as well had strongly influenced their decision in this regard. The study also concludes that housing finance was found to be the preferable financial mode for acquiring the property.

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