# A Study of Factors Affecting Residential Property Buying Decisions Postcovid-19 Pandemic

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## Abstract

More than 90% of people make their most expensive purchase when they buy a residential property. This expensive purchase takes much time to decide what, where, when, why and how to buy. Many factors are involved to answer all the questions to make the accurate decision. These factors impact the decision-making capacity of the buyers. Factors like demographics, physiographic, motivational, aspirational, tendency of herd behavior all impacts the decision-making capacity.

In comparison to common purchases which involves less effort like our daily routine purchase takes less amount of time and money to make the accurate decision, Residential property buying requires high involvement in terms of time, effort and money with lot of factors analysis which can effects the buying decision of prospective buyer.

This research paper aims to analyze all those factors which are going to impact the decision making capacity of residential property buyer, especially in post Covid 19 situation, what all factors are going to become crucial for buyer while buying property? and what relevance they hold in respect of each other? The paper aims to help both developer and buyer to tick all those boxes which are going to satisfy requirements of both. Also, while considering these factors it will be easy for developer to channelize sales and prospective buyers will get what they really want.

**Keywords:** Buying decision, Residential sales, Factors influencing sales. Covid 19

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## Introduction

Most flourishing and highly recognize sector in the world are Real Estate Sector. After agriculture real estate is the most employment generating sector in India with expected growth rate of 30% in the upcoming decade. It's current contribution is 7% in the GDP of overall GDP of India and is expected to grow 13% by 2025. The overall real estate sector has four sub sectors like Residential, Retail, Commercial, Hospitality. However, it has been evident in past few years that there is a high demand of residential real estate because people are migrating from villages to urban area for Jobs, safety and security, better living standards etc.
The outcome of the report "Residential Real Estate in India – A new paradigm for success' by Bain and Company concluded that residential projects has 85% contribution of the Indian real estate market". It has also

been found that residential real estate will continue to be on top of the demand.

There are significant reasons behind the raise in demand in residential real estate. One of the main reasons is Implementation of Real Estate Regulatory Authority (RERA) Act by Indian Government in order to facilitate primarily the home buyers in the buying process with much more transparency. This act brought into action to

address the concerns of every stakeholder of the real estate industry like home buyer, builder, brokers etc. Post RERA act stakeholders are aware of RERA rules and guidelines which help them to make an informed decision.

Pradhan Mantri AwasYojna (PMAY) initiative is also a positive step towards raising the demand of residential property. The aim of PMAY mission is intended to provide housing for all in urban areas by year 2022. In this scheme, Interest subsidy will be given on housing loan for buying a housing or construction of a housing (including repurchase) to first time EWS, Lower Income Group buyer.

However, these government initiatives helped citizen to fulfill their dream of owning a house for himself and family by giving financial rebate as well as transparency in the sector still buying a property for people is consistently a big challenge since for a buyer it is the costliest acquisition of a lifetime. The reason for the challenge is property buying decision is primarily based on herd behavior, motivation, influences, promotional offers and gut feel rather than information based which majorly impact the decision making. Still people want to invest more in buying residential property for various reasons.

It is also evident from the fact that many developers are providing their expert advice and services in order to help people to fulfill their dreams with all the amenities and requirements which suit their individual needs but post covid 19 the situation is completely changed and developers are also bound to think differently to market their projects and reach to the customer as majority of the people are at home and hesitate to move out or visit the site physically. According to the experts, Post COVID 19 residential house requirements will also change in terms of more amenities like separate room for office work, less noisy environment etc.The one which they already have may not be modified to great extent, due to geographical location, size, facilities etc. but all those who were about to buy residential property have already started thinking about new setup or requirements. The people who used to live on rent now are thinking that once things become normal first thing which they are going to think of is, "to buy a house". Also being at home has forced us to think, what is more important? Spending on leisure activities or essentials? Saving for asset or spending carelessly? I am quite sure that once things are back on track residential sales is going to pick up. Developers will also have to re-think on the new requirements which may arise in future. For sure there will be a change in the way people used to transact and the way they used to buy a house.

We are already expecting that there may be correction in real estate prices, also the home loan may become cheaper, so situation may turn out to be perfect for first time home buyers. We all are aware of Indian millennials, who are the reason of upcoming growth story of Indian retail. Working from home has given them enough food for thought to think that future of their jobs could be working from home only. Also, many IT companies are thinking of asking many of their employees to work from home as it is helping them to take care of their increasing fixed cost. So, all these points boil down to the fact that, Residential sales is going to pick up in near future and I believe that the demand in this segment is going to be in such manner which may be far beyond expectations of many Real estate experts. But the important part according to the author is what kind of segment is going to demand and what kind of residential properties will be demanded for? Will affordable housing demand will pick up? Or having a luxury home will be on cards for some? Whether investor will come in? whether demand for holiday home will be there? Answer to these questions lies in near future. But one thing which we firmly believe and is quite optimistic about is, that the Demand for housing is going to be there.

**Literature Review:**

The purpose (Gopal Sarma, 2016) of the literature review was to identify the factors those are involved in decision making in residential property buying.In the unprecedent times which is the COVID 19 situation where people will be thinking to move from congested place to a less congested with much more amenities like proximity to medical facility and less traffic movement etc. Post COVID situation it is inevitable that peoples buying behavior pattern will mutate.

Engel et al. (2006) defined consumer behavior as "those activities directly involved in obtaining, consuming and

disposing of products and service, including the decision processes that precede and follow these actions".

Udel. Edu. (2016) explored "consumer purchasing decision depends on many factors such as demographic factors (age, gender, income, etc.) psychological factors (internal motivation) and social factors".Kim et al. (2005) found in his research that "home buyer considers and assess the home based on neighborhood and its surroundings, proximity to office and house specifications".Majid et al. (2017) found that "buyers' demographic factors like gender, marital status and employment affect the criteria they use to evaluate the alternatives while buying a housingunit". Saw and Tan (2014) concluded in a study that "structural factors, location and financial factors affect the home buyers' purchase intentions".

Study by Choguill (2008) revealed that"worth of the residential property would be automatically increased if it is gated society with a landscape compound".(Chapman & Lombard, 2006; Tan, 2011) says "while evaluating a residential property the home buyer's emphasison the factors like pollution, cleanliness, safety and security etc".

One of these reports on 'Consumer buying behavior in real estate industry' states that, the percentage of respondents living in a rental property is higher than those who owned the property. It also states that consumers mostly consider price and location while purchasing the property. Brand name, facilities and quality of the construction are the main parameters consumers consider while selecting the residential properties. One of Tan's study (2011) suggested that "prospective home buyers considered some intangible benefits like an infrastructure suitable to the lifestyle of house buyers, a feeling of harmony with the surroundings and a sense of security".

The buying behaviouris majorly divided in two factors internal factors and external factors and customer is influenced by internal factors such as motivation, perception, knowledge, culture background, social class, personal influence, reference group and situation influence the decision process in buying behaviour. Reference group plays a significant role in buying behaviour and decision making which consists of family, friends and colleagues.

Ricardo et. Al (2010) reported in a study that "the home buying criteria changes according to stage of life cycle. For example if a person is single working he would prefer the location which is nearby to his workplace and services, whereas a person who has a family with young children might go for a location which has a better environment with gated society and also which is nearby school". It was confirmed in a study by Daly et al. (2003) that "home buyers from different countries like UK, Australia and Ireland considered location on top while buying a residential property". The property is given the higher importance which is near to shops, school, hospital, workplace and the central business while making a buying decision.

In a survey conducted by housing.com, It was found that most of the Indian home buyers gives the preference of vastu complaint home while buying a residential property. Anderson and Crocker (1971) reported that the pollution level of the area is also the concerned factor and does affect the home buying decision. It is highlighted in (Zairi, 2000) that Customer satisfaction, loyalty and retention now a days are much more important factors for a developer or a financial institution.

**Research Objectives:**

The main objective of this research is to understand and analyse the consumer behaviour while buying a residential property and factors affecting their residential property choice on certain parameters after COVID 19.

The study will help the home buyers to understand the factors to be considered while buying a residential property and developers &agents to focus on the parameters demanded by home buyer in future to market their project and fulfil the requirements of prospective buyer. It will also help them in understanding and decide which factor to be considered while promoting residential property.

The study attempts to answer the following questions:

1.  How consumer behaviour changes post COVID 19

pandemic?

2. What are the important factors that home buyers considered while buying a residential property?

3. How these important factors play important role in decision making of a home buyer?

**Research Methodology:**

Both primary and secondary research methodology has been taken up for this research which includes:

*Primary Research:*

Quantitative study has been done in which data were collected through structured questionnaire. The factors were identified which has been discussed in the previous study of residential property buying behaviour. These factors along with few more factors were included in the questionnaire, which was used to collect the data from respondents. Total 53 respondents were selected out of approx. 100 respondents for this research based on completeness and legibility.

Questionnaire method will be used, sample size of approx. 100 respondents.

*Secondary Research:*

White papers by various research agencies, Research papers by IPCs, Data from Ministry of Housing and finance, research paper and articles published in related areas.

*Analysis and Discussion*

Table 1 informs about the demographic profiles of the

**Table 1: Demographic Profile**

|  | Sub-Category | Number | Percentage |
|---|---|---|---|
| Gender | Male | 39 | 74% |
|  | Female | 14 | 26% |
| Age | 18-25 years | 22 | 41% |
|  | 26-35 years | 19 | 36% |
|  | 36-45 years | 11 | 21% |
|  | 46 and above | 1 | 2% |
| Education | Professional | 8 | 15% |
|  | Post-graduate | 39 | 74% |
|  | Graduate | 2 | 4% |
|  | Up to High school | 4 | 7% |
| Occupation | Self-employed | 22 | 42% |
|  | Salaried | 31 | 58% |
| Annual Income | Less than 5,00,000 | 19 | 36% |
|  | 5,00,000-10,00,000 | 22 | 42% |
|  | 10,00,000-15,00,000 | 7 | 13% |
|  | Above 15,00,000 | 5 | 9% |

The samples were collected from a varied profile, but out of the total 53 respondents who answered the questionnaire 73.6% were males and 26.4% were females. Majority of respondents belonged to age group of 18 to 25 in totality and the majority of respondents were earning from 5,00,000 to 10,00,000 annually.

To understand this behaviour in more details, a factor analysis was conducted by the authors to understand that which factors may affect their buying decision of residential property post COVID-19 pandemic. To reduce the variables, factor analysis was performed on 19 variables which were measured on Likert 5-point scale. After the data reduction, four major factors emerged from the data.

To check the suitability of data for factor analysis, researchers conducted Kaiser-Meyer-Olkin (KMO) measure for sampling adequacy along with Bartlett's Test of Sphericity. The results of KMO and Bartlett's Test of Sphericity are provided in the Table 2.

**TABLE 2: Kaiser-meyer-olkin (KMO) And Bartlett's Test**

| KMO and Bartlett's Test | | |
|---|---|---|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .874 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 2802.072 |
| | df | 741 |
| | Sig. | .000 |

The value of 0.874 of KMO for Sampling Adequacy suggests that the sample is very good to be run factor analysis. The value falls under the good to excellent category of analysis according to Hutcheson & Sofroniou (1999).

The results of Principal Component Analysis for variance explanation suggest that a total of 84.089% of variances are explained with the help of the data reduction process with 19 variables getting reduced to 4 major factors. See Table 3 for more details.

**Table 3: Principal Component Analysis for Variance Explanation**

| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 26.041 | 66.772 | 66.772 | 26.041 | 66.772 | 66.772 | 13.612 | 34.903 | 34.903 |
| 2 | 2.989 | 7.665 | 74.437 | 2.989 | 7.665 | 74.437 | 11.394 | 18.567 | 53.47 |
| 3 | 2.142 | 5.492 | 79.929 | 2.142 | 5.492 | 79.929 | 8.445 | 16.381 | 69.851 |
| 4 | 1.622 | 4.16 | 84.089 | 1.622 | 4.16 | 84.089 | 6.797 | 14.238 | 84.089 |
| 5 | 1.283 | 3.29 | 87.379 | | | | | | |
| 6 | 1.016 | 2.605 | 89.984 | | | | | | |
| 7 | 0.858 | 2.2 | 92.184 | | | | | | |
| 8 | 0.69 | 1.768 | 93.952 | | | | | | |
| 9 | 0.554 | 1.42 | 95.372 | | | | | | |
| 10 | 0.437 | 1.118 | 96.49 | | | | | | |
| 11 | 0.368 | 0.943 | 97.433 | | | | | | |
| 12 | 0.278 | 0.712 | 98.145 | | | | | | |
| 13 | 0.239 | 0.611 | 98.756 | | | | | | |
| 14 | 0.158 | 0.405 | 99.161 | | | | | | |
| 15 | 0.12 | 0.307 | 99.468 | | | | | | |
| 16 | 0.094 | 0.242 | 99.71 | | | | | | |
| 17 | 0.056 | 0.143 | 99.853 | | | | | | |
| 18 | 0.036 | 0.091 | 99.944 | | | | | | |
| 19 | 0.023 | 0.057 | 100.00 | | | | | | |

Rotated Component Matrix helped the researchers to simplify the interpretation.

**Table 4 provides results of rotated component matrix as follows:**

| | | 1 | 2 | 3 | 4 |
|---|---|---|---|---|---|
| Statement 1 | Reputation of developer/builder | .592 | .352 | .192 | .509 |
| Statement 2 | Presence of developer on digital platform | .174 | .240 | .194 | .715 |
| Statement 3 | Previous projects by same developer | .607 | .441 | .108 | .523 |
| Statement 4 | Unique theme of the project | .338 | .641 | .425 | .228 |
| Statement 5 | Online reviews of project/society | .455 | .494 | .112 | .541 |
| Statement 6 | Virtual tour of property (sample flat) | .369 | .469 | .201 | .506 |
| Statement 7 | Physical visit of property | .628 | .533 | .180 | .342 |
| Statement 8 | Prefer to invest in almost completion status property | .560 | .543 | .248 | .106 |
| Statement 9 | Occupancy rate in society | .224 | .679 | .422 | .283 |
| Statement 10 | Feedback from local resident of society | .399 | .711 | .277 | .230 |
| Statement 11 | Upcoming mega project near by society | .233 | .553 | .472 | .287 |
| Statement 12 | Smart features in flat | .297 | .384 | .655 | .302 |
| Statement 13 | Prefer nearby Retail Shops | .665 | .351 | .322 | .327 |
| Statement 14 | Comfortable Community (Less crowd) | .621 | .200 | .502 | .241 |
| Statement 15 | A Place to walk/exercise | .644 | .267 | .479 | .289 |
| Statement 16 | Study room/office space in flat | .556 | .111 | .708 | -.038 |
| Statement 17 | Servant room in flat | .163 | .301 | .714 | .113 |
| Statement 18 | Ample Balcony space | .492 | .221 | .677 | .261 |
| Statement 19 | Vaastu design/belief | .344 | .134 | .794 | .225 |

**Labelling or Naming the Factors**

The results of rotated component matrix helped the researchers to find majorly 4 factors for all 19 variables. These factors can be attributed to affect the buying decision of Residential Property post COVID-19 Pandemic. After the process of extraction and factor loading, it was observed that 7 variables were loaded to factor 1 which can be named as: Image of Developer and Project Features. The second factor got 4 variables loaded on it and according the nature of variables it can be named as: Project Theme and It's Surroundings. Third factor got 5 variables loaded and can be called: Unit Features. And similarly Forth factor was loaded with 3 variables and named as: Online Presence and Feedback.

| Sl. No. | Factor | Variable / Statement | Factor Loading |
|---|---|---|---|
| 1. | Image of Developer and Project Features | Statement 1: [Reputation of developer/builder] | .592 |
| 2. | | Statement 3: [Previous projects by same developer] | .607 |
| 3. | | Statement 7: [Physical visit of property] | .628 |
| 4. | | Statement 8: [Prefer to invest in almost completion status property] | .560 |
| 5. | | Statement 13: [Prefer Retail Shops within Project] | .665 |
| 6. | | Statement 14: [Comfortable Community (Less crowd)] | .621 |
| 7. | | Statement 15: [A Place to walk/exercise] | .644 |
| 8. | Project Theme and It's Surroundings | Statement 4:[Unique theme of the project] | .641 |
| 9. | | Statement 9:[Occupancy rate in society (Number of families already living)] | .679 |
| 10. | | Statement 10:[Feedback from local resident of society (in above mentioned point)] | .711 |
| 11. | | Statement 11:[Upcoming mega project near by society] | .553 |
| 12. | Unit Features | Statement 12: [Smart features in flat] | .655 |
| 13. | | Statement 16: [Study room/office space in flat | .708 |
| 14. | | Statement 17: [Servant room in flat] | .714 |
| 15. | | Statement 18: [Ample Balcony space] | .677 |
| 16. | | Statement 19: [Statement 19 Vaastu design/belief] | .794 |
| 17. | Online Presence and Feedback | Statement 2: [Presence of developer on digital platform | .715 |
| 18. | | Statement 5: [Online reviews of project/society | .541 |
| 19. | | Statement 6: [Virtual tour of property (sample flat) | .506 |

## Conclusion

The overall results of this study indicate several outcomes. Most people (across ages, gender, profession and income) not only consider Image of Developer, Project/ Flat Features as most important factor but due to Covid-19, they started relying on technology and online presence/ feedback of develops as well.

When asked about various aspects about Image of Developer and Project Features, respondents opined that their behaviour is largely affected by previous projects of the developer and its overall image. They also would like to visit physically the project to confirm various project features.

Many of the respondents, notified that project unique theme, its occupancy and local residents' feedback is really important for them and while making a decision, this will surely affect their decision.

Unit Feature was another factor that was found impacting respondents' buying decision. This is primarily a space need-based factor which include: Smart technologies features, servant/ study room and balcony space.

The most important and newly discovered factor that was found to be significantly impacting the decision making of buyers these days was: Online presence of developer and its overall online feedback. As people now a days are using latest technology and due to covid-19 situation they prefer to remain at home, many respondents notified that they would like to take a virtual tour of the property/ sample flat before the physical visit. They also informed that they would like to check online reviews and feedback of the developer and project before contacting the developer. Also, it is expected that people will rely on technology more in the coming future: i.e. post covid-19.

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