FACTORS AFFECTING PURCHASING DECISION OF HOUSES IN THE URBAN RESIDENTIAL PROPERTY MARKET IN KLANG VALLEY, MALAYSIA

Paul Anthony Mariadas, Hussin Abdullah, Norehan Abdullah

ABSTRACT

Property expansion can be considered as one of the essential activities that drive out the stability and enhances human being lifestyle. The overall evaluation of housing as a kind of investment product displays housing accounts for a large proportion of the average income in a mankind productive life. Housing investment is considered long term investment because it is the main point affecting the living standard of people from both macro and micro perspectives. Thus, the objective of this study is to determine the urban residential purchase decision in Klang Valley, Malaysia. Factors such as finance, location, neighbourhood, and structural attributes were investigated. Data was collected using a probabilistic sampling method, particularly a stratified random sampling technique. The descriptive approach, correlation, and multiple regression analysis are used to analyse the data. This research found three factors that influenced the urban residential property purchase decision in Klang Valley, Malaysia, which are finance, location and structural. By understanding the motivation behind purchasing their first home, investors would be able to gauge the factors that matter most before investing in the urban property market.

Keywords: locational, financial, structural, neighborhood

INTRODUCTION

The house is a place provides comfort, security, shelter and dignity, a natural framework for realizing, economic, social, enriching and integrating and culture resources (Hilary, 2012). Hence, the urban housing area based on the human right plays an important role in the lives of individual and countries. The overall evaluation of housing as a kind of investment product displays housing accounts for a large proportion of the average income in a mankind productive life. Housing investment is considered long term investment because it is the main point affecting the living standard of people from both macro and micro perspectives. According to the Bank Negara Malaysia (2014) the real estate investment gives higher return and will benefit developer, investors and financial institution. Therefore, the property investment decision depends on the investors (Mansor and Zakaria 2007). Increase in property value provide an opportunity for the investors to buy a house to investing, thus increasing their wealth. Tan (2008) said that house buyers think they will get a decent return through rental income and capital growth and investing in property market has been prove to be a good hedge against the inflation. Not only the local real estate investors will affected by real estate market , international and regional real estate investors will be affect too. On the basis of The Edge (2013) many foreign property investors regarded Malaysia as a lucrative property market to invest in. Malaysia is entered 2019 with unsold completed residential units rising to 30,115 units as at Sept 30, 2018, an increase of 48.35% from the 20,304 units a year ago (NAPIC, 2019). According to the NAPIC (2019) the total value was RM19.54 bil, a 56.44% rise from RM12.49 bil a year ago. Should service apartments and small offices home offices be included,

the overhang value rose to 40,916 units, valued at RM27.38bil. According to the economic theory, housing market should be functioned to obtain an equilibrium between demand and supply (Rameli et al., 2006). But in real the housing market system fails to deliver a balanced situation between urban housing demand and supply. Defectiveness of the market system by housing developers are amongst the factors contributing to the market failure, resulting in an oversupply of urban housing property. The nature of planning system which focuses on housing needs, neglects the element of effective demand in housing forecasting. Inefficient development approval process by the Local Planning Authority in assessing the new housing development applications may also contribute to the oversupply of housing and subsequently exacerbated the problems in the housing market. In addition, with shortage of land supply and increased value of land in urban areas may also affect in the provision of open space. This is much concerned with the compliance of development plan and standard guidelines provided for planning approval where at some point, developers refuse to comply with the provision as there is lack of enforcement carried out by the authority (Yakob et al., 2012). Providing good quality housing units should promote more equal social, educational, and economic opportunities and help create more equitable environment for all (Abed, 2013). Based on the background, this study will aim to provide insight into the factors that behind the buyers' predilection for the housing investment in the urban area in Klang Valley. Furthermore, this study would be essential for buyers, developers, investors, financial planners, mortgage bankers as well as real estate agents for a better understanding in the decision-making when investing in urban residential properties.

The organisation of the paper is structured as follows: Section 2 is the literature review; Section 3 is the methodology; Section 4 discusses the results and findings; while Section 5 concludes the paper.

LITERATURE REVIEW

Housing investment in urban area can be explained as buyers would understand the purpose of buying residential properties and would measure the related factors before deciding to buy a house (Thaker and Sakaran, 2016). Mariadas, Abdullah and Abdullah (2019) stated that it is important to have better knowledge about the way investors choose an urban residential property for investment. Lack of understanding about the investors' satisfaction in purchasing an urban residential property would cause gaps with existing literature. There are similarities and differences in how potential buyers of urban residential properties assess the property adequacy and satisfaction level. Furthermore, it is also important to know about the factors that affect buyers in understanding the residence adequacy and satisfaction in the circumstance of properties (Mariadas, Abdullah & Abdullah, 2019). Urban residential property purchase decision is a conclusion after consideration of buying a house. It combines with various factors from sociology, psychology, and also economics which seek for understanding in the process of buying decision making of a buyer (Azad and Roshan, 2014). Residential property is a shelter or house which buyers come for coverage from dangers or investors would buy for investment (Shaidi and Lucian, 2016). The decision can be considered as a resolution after several research activities or processes. Urban residential property purchase decision also can be implied as a decision of buying a shelter while a house is fulfilling the buyers' needs and desires.

According to San (2016) location usually will be represented by the certain criteria to make it more functional and the significant. However, Mang (2018) argue that location actually not affect the purchase decision in the housing market. Hassan (2015) and Jiang (2013) find

out that the locational factor have a positive relationship with property purchase decision. AL-Nahdi, Habib and Albdour (2015) also found a similar result. Some of the investors are prefer to stay near to the center of the city, which will provide services and the facilities they need for the daily life (Matkowski, 2001). This findings are consistent with Bakar (2014) whereas the investors purchase decision is more on near to the city. Jiang (2013) found that the location is positively related with investment decision. Masri (2016) found that the location is important for property investment and he found positive relationship between location and purchase decision. The result of Bakar (2014) show that the factor of location will affect the urban housing investment decision. From the previous study, the factor of locational are having the positive relationship and it will affect the urban housing investment decision.

Hamdan (2014) focused on the improvement of quality of community and showed that they were often accompanied by the improvement of housing. That is because better homes are clustered in better neighbourhoods. But neighbourhood improvements are also free of any changes in housing area or rental rights, thus suggesting that neighbourhood relationships themselves to motivate families. Gao (2018) and Zrobek (2015) found the neighbourhood factors positively affect the urban housing investment decision. The research from Masri (2016) shows that the investors look forward to the safety environment to invest. In addition, the study also revealed that friendly and safety environment is essential for the urban investment.

Apart from that, Kohler (2013) stated that the apartment and flats are more popular among the tenants because most of the investors will prefer to invest or buy a smaller property. Sundrani, (2018) stated that house investment is significant with the number of the bedroom. Not only that, the previous study of Sundrani (2018) argued that number of rooms and size are very important features that investors need to consider in their home ownership decisions. A similar finding by Kepal (2016) shows that it the number of room, size of the bedrooms and bathrooms are considered the main attributes of housing because the private living space will have a direct relation to the problem of the privacy. San (2016) claimed that it was insignificant relationship, and it stated that structural attributes are mainly reflected in settlement and lifestyle, such as *Feng Shui* system of Asian society. For example, the number of housing is important for them, for instance, addresses ending in 8(such as 8, 18 and 28) will symbolize wealth, while addresses ending in 4 (such as 4, 14 and 24) or another number (such as 13) are generally considered bad luck. Mang (2018) also focus on the structural factor and stated that design of the house have relate with the Chinese lifestyle for example, most of the Chinese people will like lucky number hence it will affect the urban housing investment decision.

Hassan (2015) found that the financial factor have a positive relation and it can give an impact of investment decision. However, Khan (2017) claimed that there is no relation between financial factors and urban house purchase decision. In the previous research, Lim (2013) claimed that the financial factors have positive relation with the housing market in Australia. In addition, his study shows that the financial factors play an important role in determining the urban housing investment. Zainon (2017) found that the financial factor have positive relationship and this financial factors are an important to the investment.

METHODOLOGY

A self-administered survey was conducted to collect data regarding issues and problems of providing affordable houses in urban area. The questionnaires were distributed across Klang Valley which have a large number of house buyers. The data were collected by face-to-face interviews and distribution of questionnaires survey. For the purpose of analysis of quantitative

data collection through questionnaires survey, the Statistical Package for Social Science (SPSS) software version 23 was adopted. The objectives of using quantitative approach is to summarizes statistically large information such as questionnaires responses feedback translated into figures that can be understood and interpreted. Multiple regression and Pearson correlation analysis were used as a data reduction and model development technique.

RESULTS AND DISCUSSION

The basic descriptive statistics of the major variables employed in the study are presented in Table 1.

Table 1: Descriptive Analysis

		Statistic	Std. Error
Mean		3.9813	0.06049
95% Confidence Interval for Mean	Lower Bound	3.8618	
	Upper Bound	4.1009	
5% Trimmed Mean		4.0207	
Median		4	
Variance		0.549	
Std. Deviation		0.74089	
Minimum		1.4	
Maximum		5	
Range		3.6	
Interquartile Range		1	
Skewness		-0.593	0.198
Kurtosis		0.427	0.394

Z-score is basically an estimation which is registered by utilising thefigure from Table 1. It is calculated by dividing the statistics with the standard error of skewness. According to the test of Z-score of Skewness and Kurtosis, the value of it should between -3.29 and + 3.29 that due to the large amount of 158 respondents. From the table 1, the result of the test of skewness is -2.99495 where for the kurtosis is 1.08376.

Table 2: Correlation Test

		ID	LF	FF	SF	NF
ID	Pearson Correlation	1	.677**	.668**	.615**	.531**
	Sig. (2-tailed)		0	0	0	0
	N	150	150	150	150	150
LF	Pearson Correlation	.677**	1	.744**	.703**	.653**
	Sig. (2-tailed)	0		0	0	0
	N	150	150	150	150	150
FF	Pearson Correlation	.668**	.744**	1	.662**	.600**
	Sig. (2-tailed)	0	0		0	0
	N	150	150	150	150	150
SF	Pearson Correlation	.615**	.703**	.662**	1	.808**
	Sig. (2-tailed)	0	0	0		0
	N	150	150	150	150	150
NF	Pearson Correlation	.531**	.653**	.600**	.808**	1
	Sig. (2-tailed)	0	0	0	0	
	N	150	150	150	150	150

**. Correlation is significant at the 0.01 level (2-tailed).

The table 2 shows the outcomes of the correlations of the independent variables which are the locational factor, financial factor, structure factor, neighborhood factor and dependent variables which is investment decision. The Pearson Correlation shows that there are the moderate correlation for the locational factor (LF) and Investment decision (ID), (r= 0.677). There is a significant positive relationship (p= 0.00) between the locational factor (LF) and Investment Decision (ID) ad it is less than (p<0.05). There is moderate correlation for the financial factor (FF) and Investment decision (ID), (r= 0.668). There is a significant positive relationship (p= 0.00) between the financial factor (FF) and Investment Decision (ID) ad it is less than (p<0.05).The Pearson Correlation shows that there are the moderate correlation for the structural factor (SF) and Investment decision (ID), (r= 0.615). There is a significant positive relationship (p= 0.00) between the structure factor (SF) and Investment Decision (ID) ad it is less than (p<0.05). The Pearson Correlation shows that there are the moderate correlation for the neighborhood factor (NF) and Investment decision (ID), (r= 0.531). There is a significant positive relationship (p= 0.00) between the neighborhood factor (NF) and Investment Decision (ID) ad it is less than (p<0.05).

Table 3: Model Summary

Model		R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
	1	.732[a]	0.536	0.523	0.51163	2.195

a. Predictors: (Constant), NF, FF, LF, SF

b. Dependent Variable: ID

Table 3 indicates the regression whereby the R Square result as shown in the table is 0.536 or 53.6%. The main purpose of R Square is to identify the relationship between dependent variable and independent variables in the aspect of the level of strength. There is 53.6% of the total variation of dependent variables (urban residential property purchase decision) of the research can be explained by the independent variable (locational factor, financial factor, structure factor and neighborhood factor). According to the result, it showed that there is a strong relationship between dependent variable and independent variables as the R Square value is above 0.4, which is 0.536 (53.6%).

Table 4: Coefficient

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	0.705	0.267		2.637	0.009		
LF	0.327	0.096	0.32	3.394	0.001	0.359	2.784
FF	0.307	0.088	0.309	3.487	0.001	0.407	2.459
SF	0.215	0.106	0.216	2.026	0.045	0.281	3.555
NF	-0.038	0.096	-0.039	-0.393	0.695	0.332	3.016

Dependent Variable: ID

Table 4 is the outcome of the multiple regression coefficient variables, the locational factor are the largest coefficient of unstandardized, for the denoted by the B value which has recorded at 0.327 and it is the most significant factor that contribute to the variance, it have positive significant of the value and every single unit are increase in the independent variable hence the dependent variable will increase. Therefore, the sig value at 0.000 and it will be accepted. Follow by the financial factor is the second larger coefficient of unstandardized with the B value are recorded at 0.307 with the sig value at 0.000 hence it also will be accepted. Besides that, the structural factor and neighborhood factor that affect the investment decision with the B value that record at 0.215 and -0.038, it will be rejected for the neighborhood factor as it is non-significant outcome which has exceed the standard significant value of 0.05 that can be accept the proposed of hypothesis, for the structural factor recorded at 0.45 sig hence it can be accepted. The collinearity outcome of the tolerance (TOL) and the variance inflation factor (VIF), the tolerance value of the locational factor, financial factor, structure factor and neighborhood factor (0.359, 0.407, 0.281, and 0.332). For the variance inflation factor (VIF) values at 2.784, 2.459, 3.555, 3.016 all of it are not more than 10 and it has shown the sign of moderately correlated.

CONCLUSION

Based on the data from the correlation analysis this facts are shown that it is a high relationship between the locational factors and investment decision in Malaysia. The finding is similar with Tan (2014). AL- Habib & Albdour (2015) also find out the similar results which the location factor is considered more important to the purchasing decision. Besides, financial factor shows positively related to urban residential property investment. The finding is consistent with Kepal (2016); Razak, Ibrahim, Hoo, Osman and Alias (2013). In the case of structural factors, the result revealed a direct association as well whereby the findings is similar with Sundrani (2018). It seems the number of rooms and the size are very important features that buyers need to consider in their home ownership decisions. However, the neighborhood factors shows insignificant with purchasing decision and this outcome is consistent with Tan (2014). The buyers are not really consider about the neighbourhood as long as the they are not to have an intention to live in these properties. Only 200 respondents in Klang Valley were involved in completing the survey analysis. Larger sample size and other locations can be considered in order to get a deeper understanding of urban residential property purchase decision throughout Malaysia. Different places of potential investors will have different purposes and factors to consider during the urban residential property buying process. Thus, the more targeted area to do the survey, the more accurate and useful data for future research. By understanding the motivation behind purchasing urban residential properties, buyers would be able to gauge the factors that matter most before investing in urban property.

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ABOUT THE AUTHORS

PAUL ANTHONY MARIADAS
Pengajian Ekonomi, Kewangan dan Perbankan
Kolej Perniagaan, Universiti Pusat Utara Malaysia
06010 UUM Sintok, Kedah, Malaysia
mpaul190782@gmail.com

HUSSIN ABDULLAH
Associate Professor
Pusat Pengajian Ekonomi, Kewangan dan Perbankan
Kolej Perniagaan, Universiti Utara Malaysia
06010 UUM Sintok, Kedah, Malaysia
hussin2141@uum.edu.my

NOREHAN ABDULLAH
Associate Professor
Pusat Pengajian Ekonomi, Kewangan dan Perbankan
Kolej Perniagaan, Universiti Utara Malaysia
06010 UUM Sintok, Kedah, Malaysia
norehan@uum.edu.my