FACTORS INFLUENCING HOUSE BUYER'S DECISION IN MALAYSIA. CASE STUDY: SEPANG, SELANGOR

Fatimah Zulkifli[1], Hafiszah Ismail[2]

[1]Institut Penilaian Negara,
Jabatan Penilaian dan Perkhidmatan Harta,
KEMENTERIAN KEWANGAN MALAYSIA
[2]School of Real Estate and Building Surveying,
College of Built Environment,
UNIVERSITI TEKNOLOGI MARA (UITM)

Abstract

Housing is a basic human need as explained in the Maslow hierarchy needs. Having a house is a very important entity in ensuring a sense of security for each individual and family. Deciding on buying a house is a crucial decision since housing expenses involved a large amount of cost in individual monthly expenses. Furthermore, the homeownership rate in Malaysia as reported by the Department of Statistics Malaysia (DOSM) in 2019 didn't increase significantly. Thus, the government and house developers need to identify the important factors that influence the house buying decision-making to increase the homeownership rate in Malaysia. This study investigates the factors influencing housing buying decisions and the difference in factors influencing different income groups in Sepang, Selangor. This study measures the internal factors and external factors influencing house-buying decisions. The internal factors measure the income, stage of life cycle, employment and education subfactors. The external factors measure the financial and economic condition, house price, location, neighbourhood, house type and design and also government housing incentives. A mixed method was applied in this study by interviewing real estate experts and also a survey of 184 respondents in the case study area. Using transcribe method and analysing of the survey data with descriptive and inferential analyses to study the influencing factors. The real estate expert and respondents agreed all the factors were influencing house buying decisions except for education. The importance of the factors is also different among the income groups. For internal factors, all income groups agree that income is the most influential factor followed by employment, stage of life cycle and education. The importance of external factors is different among the groups.

Keywords: housing, factors influencing, house buying decision, income group, internal and external factors

[2] Senior Lecturer at Universiti Teknologi MARA (UiTM). Email: hafiszah@uitm.edu.my.

INTRODUCTION

Housing is a basic human need as explained in the Maslow hierarchy needs. Maslow's theory proposes a five-tier model of human needs, comprising physiological needs, safety needs, belongingness and love needs, esteem needs and finally, self-actualization. To satisfy the highest need, one must fulfil the lowest need and a house is categorized as one of the safety needs. Purchasing a house is the biggest spending in most family financial plans. It's one of the customer consumptions which is significant to the national economy and to serves the psychology and social need (Abdullah, 2012). A person may have to consider many factors when deciding to purchase a house since it is the most expensive spending for a household. It is a development that involves a life commitment starting from the down payment to the monthly payment. According to Abidoye et al., (2021), factors influencing purchase decisions its divided into two main factors which are an internal and external factor. Internal factor is related to the person's ability and preference. Whilst external factor is the outside aspect that the purchaser may not control. Example of internal factors is income, family, or education. Characteristics of the house and economy are an example of external factors. According to the consumer behaviour model introduced by Howard and Seth, (1969), rational buyer behaviour is based on a decision-making process that involves certain rules that are appropriate to the purchase and satisfaction motive. In line with this, consumer behaviour factors are also seen as among the factors considered in deciding to purchase residential property. The factors may also differ among different incomes or age groups. The previous study concentrates only on middle-income group preferences such as Besar et al., (2020), Mohamed et. al., (2020); Zainon et. al., (2017).

This study aims to provide an in-depth overview of the factors influencing house buyer decision-making in Malaysia among different income groups in Sepang, Selangor. According to The EdgeProp (2021), Sepang started to embark rapidly in development since 2000 and this can be reflected by the increment of household income and new development. The median and mean household income in Sepang is showing that majority of Sepang resident are in M40 income group. This also can be proved by the percentage of household according to household income group where it is reported the highest income group in Sepang is the M40 group, followed by the T20 group and the smallest group is the B40 group. Due to the increasing population in Sepang, the housing units are also showing increment yearly as reported by National Property Information Centre. Hence, Sepang District is a suitable area to study on factors influencing housing buying decision because of the demand on housing.

RESEARCH BACKGROUND
Housing in Malaysia

Malaysian government had introduced various agendas and policies to provide Malaysian affordable, comfortable and adequate houses to live in. According to the Government of Malaysia (2019), Housing Policy in Malaysia are divided into five phases, which is the Early Independence Housing Phase (before 1957 – 1970), Housing to Cope the Poverty Problem Phase (1971 – 1985), Market Housing Focus Phase (1986 – 1995), Housing for Squatters Phase (1996 – 2010), and Affordable House Phase (2011 – 2025). The Malaysian housing policies have evolved rapidly throughout the years. From the early years before independency which focus on health issues and resettlement emergency areas to avoid communist attacks then focused on to cope poverty problem in urban and rural areas, shifting to market houses focus for 10 years, then solving squatter's problem and the recent focus of Malaysia Government is to provide affordable houses for the lower- and middle-income group.

Report from the National Property Information Centre (NAPIC) in 2021, until the first half of 2021, there are 5,904,165 houses recorded in Malaysia. This data comprises houses in a scheme which is collected from developers consists of single to three-story terrace houses, detached and semi-detached and also high-rises such as condominiums and apartments. As for the house price, Malaysia had experienced an uptrend price since 2013 (NAPIC, 2021). The median price for houses in Malaysia in 2011 was around RM158,000 but in 2021 the median house price in Malaysia is reported RM300,000.00. It shows there is a 90% increment within 10 years.

House prices in Malaysia is reported unaffordable since a decade ago (Abdullah et al., 2021; Yap & Ng, 2018; Baqutayan, 2014). However, housing affordability had been a global issue and many countries are facing the same issue. House prices are increasing yearly making it unaffordable especially for those from low and middle-income groups (Zamri, 2019; Hashim, 2010). Homeownership rate in Malaysia as reported by Department of Statistic Malaysia in 2019 has increase to 76.9% from 2016 where the homeownership rate was 76.3%. The Figure 1 below shows there are only 0.6% increment of homeownership in 2019. This indicating there are 23.1% of Malaysian household doesn't own house in 2019.
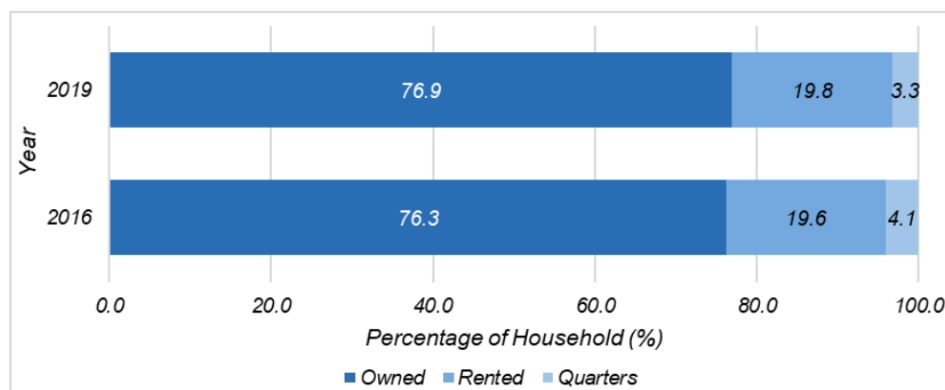
Figure 1: Percentage of Homeownership by Household in 2019
Source: Department of Statistic Malaysia, (2020)

Income Group Classification in Malaysia

Income is an important proxy for measuring a person's socioeconomic status or standard of living. Malaysia had been defined by the World Bank as an upper-middle income country since 1992 with gross national income per capita in 2019 ranging from USD4,046 to USD12,535. Malaysia is on track to become a high nation income between year 2024 to 2028 (The World Bank, 2021). It is in-line with the government Shared Prosperity Vision, to provide a decent standard living for all Malaysian by 2030.

Malaysia government had introduced an income classification system since 2017. The income classification system is important to ensure Malaysia government to plan, monitoring and provide suitable incentives to the needed group and could help to reduce gap between the income group in Malaysia. The income is based on the total household income received within the reference period of year (DOSM, 2020). The classification of income group in Malaysia was determined into three groups which are which are B40 (low-income group), M40(middle-income group) and T20(higher-income group):

Table 1: Income Group Classification in Malaysia, 2020

Income Classification	Definition	Income (RM)	Details
B40	40% of national income, lowest-earning group	Below 4,850	Bottom 40%
M40	40% of national income, middle-earning group	4,851 - 10,960	Middle 40%

Income Classification	Definition	Income (RM)	Details
T20	20% of national income, highest-earning group	More than 10,961	Top 20%

Source: *Department of Statistic Malaysia, (2020)*

The inadequacy of affordable housing for M40 households in the urban areas remains a concern with the rise of housing prices. Furthermore, the implementation of affordable housing programmes by the public agencies tends to target the B40 households. Consequently, the M40 households, especially of those in the lower half of the group, simply cannot afford to purchase their own home, especially with the drastic increase of housing prices and at the same time, they are not eligible to purchase low-cost home (CIDB Malaysia, 2019). Furthermore, this study is tended to assess the factors influencing housing purchasing decision to identify each income group needs.

Factors Influencing House Buying Decision
Homeownership is preferred over renting because it provides greater safety, freedom, financial advantage, and results in higher housing satisfaction. In many countries, one of the objectives of housing policy is to encourage private homeownership. This policy objective assumes that owning one's own house has a positive effect on the individual and society as a whole (Elsinga & Hoekstra, 2005). Housing ownership may also influence the political, socio-economic, and social well-being of the public (Abdullah et al., 2021). It is important to provide homeownership opportunities among citizens as a continuous agenda to ensure a developed and healthy nation.

Abidoye et al., (2021) did research on young adults in Jakarta, Indonesia factors determination in owning houses. The result reveals the factors are divided into external factors and internal factors. External factors are related to policy and regulation, credit accessibility, financial and economic condition, labour market, housing affordability and affordable housing supply. Whereas the internal factors are linked to education, income, marriage, employment and family background, student loan, health condition, parents' homeownership, and family support. According to literatures, the internal decision is the main factors however, the external factor may also affect the house owning decision or homeownership. Internal factors are depended on the individual background and perspective, which can be controlled by the individual. However, the external factors are outside of control by the individual. The factors are influenced by the economy, market, developer, and regulation. It is depended on the individual on how to choose and accept the external factors in making decisions. The internal and external factors are the inputs, perceptual and learning constructs in a consumer buying behavioural model to decide on purchasing a house. The

diagram below shows the summary of internal and external factors that influence people's decisions when purchasing a house:
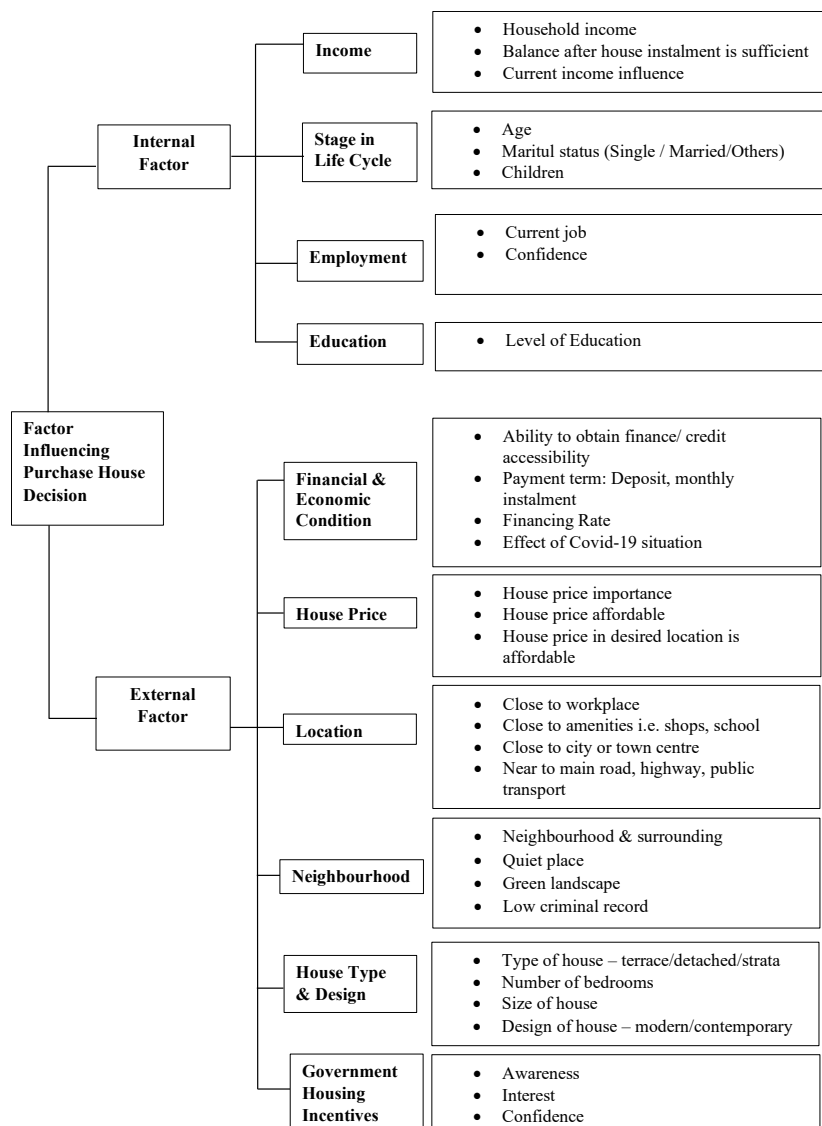

Figure 2: Internal and External Factors Influencing House Buying Decision.
Source: Author (2021)

Previous research has established income is an important factor in house buying decision making (Abidoye et al., 2021; Mohamed et al., 2020; Chin, 2016). The level of income will affect the buyer purchasing power. In housing,

family life-cycle or always referred as family life-cycle influenced the house buying decisions (Abdullah et. al., 2012). Studying the first-time house buyer determination in house buying decision, stage in life cycle is related to age, marital status and number of children or household. Filandri and Bertolini (2016), in their study found among the internal factors, employment type is the most influential factor, as permanent employment provides stable income and is necessary to save money for the down payment to get a mortgage loan. Barlow and Ozaki (2003), mentioned level of education is also an indicator of lifestyle buyers. Some research had provided finding, the higher education level will affect people to be choosier in buying property. That's indicated, people with higher education can choose which type, location and price of property purchasing decision.

For external factors, housing expenses is the highest expenditure in a household. Household finance involves a huge amount of money and long-term commitment. Therefore, a household must consider and think carefully when making house buying decision. Abdullah et al., (2012), showed financial and economic condition are the most influencing factor for first time house buyer. More research on factors influencing house ownership had revealed, house price is also one of the main factors that contribute. Mohamed et al., (2020) analysis a few factors influencing M40 homeownership in Putrajaya and concluded that house price is considered the second most important factor. A study done by Zainon et al., (2017) identified there is a positive correlation between house price and location and conclude the M40 group are not able to own a house in desired location because the price is to high compared to income. According to Aliyu et al. (2013), location is one of the main factors determining a residential property value. Kurniawati (2017), mentioned elements which are related to location include: the selection of a strategic location (easily accessible), in the area around the shopping center, near residential areas, safe, and convenient for customers, supporting facilities such as parking spaces, and other factors. Another finding from Abdullah et. al., (2012) in their research, reveal that when an individual decides to purchase a house, one of the factors considered are the neighbourhood surrounding in the desired house. They had listed a quiet place; green surrounding and low criminal record are the element a first-time house buyer is looking when purchasing a house. Khan et al. (2017) in their study, identified some other factors such as design characteristics, construction quality, and security and safety influence people decision. Mohamed et. al., (2020), include government housing incentives as one of the factors influencing house buying decision. The respondent was asked about the awareness of the incentives, the knowledge of the incentives and whether the incentives helping them to purchase the house.

To increase the homeownership among Malaysian, it is important to know the factors that influence Malaysian house buying decisions. Since housing expenditure is a large amount of a household, it is important for an individual to

carefully arbitrate the decision. According to the literature review, the factors influencing house buying decision is classified into two main factors which are an internal and external factor. Internal factors are income, stage in the life cycle, employment, and education. External factors are financial and economic condition, house price, location, neighbourhood, house type and design and the government incentives. By knowing the factors influencing the house buying decision making, developers and government could provide the housing and incentive accordingly to help Malaysians to own houses.

ANALYSIS AND RESULT
To investigate the factors influencing house buying decisions, a mixed method approach is used in this research by interviewing real estate experts and survey respondents in the case study area.

The qualitative approach was conducted by interviewing five (5) real estate experts to find out the factors influencing house decision buying. For internal factors, the interviewees agreed on income, stage of life cycle and employment can influence house buying decisions. However, most of the interviewees do not agree education can influence house buying decision. For external factors, the interviewee agreed all the listed external factors does influence house buying decision. They were asked to rank the factors according to the importance and the finding as below:

Table 2: The ranking of internal and external factors according to importance by real estate experts.

Internal Factors	External Factors
1.Income 2.Employment 3.Stage in Life Cycle 4.Education	1.Location 2. House Price 3.Financial & Economic Condition 4. Neighbourhood 5. Government Housing Incentives 6. House Type & Design

Source: Author (2021)

Using a questionnaire to survey the respondent's opinion on the factors house buying decision. The data was collected through 184 respondents in Sepang District and the data were analyse using IBM SPSS 25. In general, the three-income group agreed the internal factors are important in-house buying decisions except for education which score lower than 50% in the crosstabulation calculation. For the external factors, all the factors are considered important influencing house buying decisions.

Through the Kruskal-Wallis test, it is proved that the internal and external factor is the same across of categories of income group B40, M40 and

T20 except for the age and confident factors which are categorized under the internal factors.

Table 3: Kruskal-Wallis Result

Item	Sig. Value	Significant
Internal factors		
Income	.803	Not significant
Balance	.687	Not significant
Current Income	.681	Not significant
Age	**.039**	**Significant**
Status	.245	Not significant
Household	.534	Not significant
Job	.34	Not significant
Confident	**.030**	**Significant**
Education	.28	Not significant
External Factors		
Finance	.544	Not significant
Deposit	.984	Not significant
Rate	.684	Not significant
Economic	.997	Not significant
Price	.465	Not significant
Price Income	.520	Not significant
Price Location	.469	Not significant
Location	.526	Not significant
Work-place	.941	Not significant
Amenities	.797	Not significant
City	.635	Not significant
Main Road	.575	Not significant
Neighbourhood	.108	Not significant
Quiet	.735	Not significant
Green	.801	Not significant
Criminal	.859	Not significant
Type	.921	Not significant
Bedroom	.797	Not significant
Size	.654	Not significant
Design	.987	Not significant
Incentive	.388	Not significant
Utilized	.681	Not significant
Helping	.313	Not significant

Source: Author (2021)

The table above, the significant level for each factor is more than significant level 0.05 except for age which significant at 0.039 and confident at

0.030. It is proved that the internal and external factor is same across of categories of income group B40, M40 and T20 except for the age and confident factors which is categorized under the internal factors.

From there, a mean analysis was done and the finding The T20 group agrees age can influence an individual housing buying decision making. In the confidence factor, the B40 group scores the lowest because they think they are not confident to purchase a house with their current job at the moment. The three-income group was also requested to rank the internal and external factors according to importance. The internal factor ranking was as follows:

Table 4: Summary Internal Factor Ranking According to Income Group

Internal Factor	B40		M40		T20	
	Rank	Mean	Rank	Mean	Rank	Mean
Income	1	3.48	1	3.55	1	3.42
Stage in Life Cycle	3	2.67	3	2.85	3	3.02
Employment	2	3.04	2	3.15	2	3.16
Education	4	2.5	4	2.47	4	2.73

Source: Author (2021)

Table 5: Summary External Factor Ranking According to Income Group

External Factor	B40		M40		T20	
	Rank	Mean	Rank	Mean	Rank	Mean
Financial and Economic Condition	1	3.22	1	3.27	2	3.26
House Price	3	3.07	1	3.27	1	3.27
Location	2	3.10	2	3.15	5	3.09
Neighbourhood	5	3.01	3	3.10	3	3.16
House Type & Design	4	3.04	4	3.09	4	3.11
Government Housing Incentives	4	3.04	5	3.00	6	2.98

Source: Author (2021)

However, for the external factors, the result was not the same between the income groups in Table 5. The M40 and T20 group are more concerned with the house price compared to the B40 group which are concerned with the financial and economic condition. This is because the B40 are qualified to buy low-cost or affordable housing compared to the M40 and T20 group. M40 and T20 group are not qualified to buy low-cost houses and have no choice but to select higher

house price. The ranking shows that, there are difference factors that influence different income group. This is supported by the real estate expert statement, which mentions the factors influencing income group are different because each group have their own priorities and need.

The respondent was also asked to give an opinion if there are other internal and external factors that may influence house buyer decision making. From the table below, the most repeated other factor influencing house buying decision suggested by the respondent is natural disaster such as flood and land slide, followed by the developer performance, status of land whether it is leasehold and freehold, family influence and future market value. Since, Sepang is an area prone to flood, the respondent is concern of the natural disaster factor in house buying decision.

Table 6: Other Factors Influencing House Buying Decision

Factor	Frequency (Count)
Natural Disaster such as flood and land slide	6
Developer performance	4
Status of land (Leasehold/freehold)	3
Family Influence	2
Future Market Value	2

Source: Author (2021)

CONCLUSION AND RECOMMENDATION

The conclusion from this study, the B40 group in the case study area are more concerned about the government housing incentives compared to the other group although there are a lot of government housing programme and incentives. Thus, it is important to identify and evaluate which incentives that is the most significant and strengthen the incentives to increase the homeownership rate in Malaysia.

From this study, it also learned that house price and location are important factors in every group finding. It is important for the developer to study which price and location are suitable for every income group when planning a new development housing scheme so there will be no overhang property problem. Another interesting finding, the buyers are also concerned about the disaster factor such as floods and landslides when deciding on house purchasing. From this, the developer's company should study if the area for new development is free from such natural disasters to ensure buyers' satisfaction.

For future research, it is recommended to study the effectiveness of housing incentives by the government. Identifying which government housing incentives could help each income group could help every Malaysian to own a

house. It also recommended to study factors influencing house buying decision in another district in Selangor.

REFERENCES

Abdullah, L., Mohd Nor, I. B., Jumadi, N., & Arshad, H. (2012). First-time home buyers: Factors influencing decision making. 1st International Conference on Innovation and Technology for Sustainable Built Environment 2012 (ICITSBE 2012)

Abdullah, Y. A., Jamaluddin, N. B., Yakob, H., Marzukhi, M. A., & Zaki, Z. A. (2021). Affordable Housing for the Middle-Income Group in Malaysia. IOP Conference Series: Earth and Environmental Science, 685(1). https://doi.org/10.1088/1755-1315/685/1/012019

Abidoye, R. B., Puspitasari, G., Sunindijo, R., & Adabre, M. (2021). Young adults and homeownership in Jakarta, Indonesia. International Journal of Housing Markets and Analysis, 14(2), 333–350. https://doi.org/10.1108/IJHMA-03-2020-0030

Baqutayan M. S. (2014). The Affordable Housing Stress among Middle-Income Group. IOSR Journal of Humanities and Social Science, 19(7), 82–90. https://doi.org/10.9790/0837-19748290

Besar, J. A., Razali, S. N. I. M., & Rose, R. A. C. (2020). Faktor Yang Mempengaruhi Pemilikan Rumah Dalam Kalangan Isi Rumah Berpendapatan Sederhana (Factors Affecting of House Ownership Among Middle-Income Households). Akademika, 90(1).

CIDB Malaysia. (2019). Rethinking Affordable Housing in Malaysia - Issues and Challenges. In Construction Industry Development Board Malaysia (CIDB). http://search.proquest.com/docview/878721034?pq-origsite=summon%5Cnhttp://search.proquest.com/docview/878721034/fulltext?accountid=14244

Chin, K. S. (2016). Attributes influencing home buyers' purchase decision: A study of residential property in Setia Alam (Doctoral dissertation, UTAR).

Department of Statistics Malaysia. (July, 2020). Household income and basic amenities survey report by state and administrative district, Selangor 2019. Department of Statistics Malaysia.

Filandri, M. and Bertolini, S. (2016). Young people and home ownership in Europe. International Journal of Housing Policy, Vol. 16 No. 2, pp. 144-164

Hashim Z.A. (2010). House Price and Affordability in Housing in Malaysia. Akademik 78(Jan-April) 2010:37-46, 78, 870–875.

Kurniawati, W. A. C. (2017). Pengaruh Lokasi Perumahan, Harga Perumahan Dan Citra Merek Terhadap Keputusan Nasabah Mengambil Kredit Kepemilikan Rumah (Kpr) Syariah (Studi Kasus Nasabah Btn Syariah Surakarta). Institut Agama Islam Negeri Surakarta.

Mohamed, R., Ramli, Z., Sum, M. S. (2020). Kemampuan Pemilikan Rumah dalam Kalangan M40 di Malaysia (Home Ownership Affordability among M40 in Malaysia). Akademika 90(Isu Khas 1/Special Issue), 90 (1), 63–74.

The World Bank. (2021). Malaysia to achieve high income status between 2024 and 2028, but needs to improve the quality, inclusiveness, and sustainability of economic growth to remain competitive. In The World Bank Group, Washington, DC (pp. 1–3). https://www.worldbank.org/en/news/press-

release/2021/03/16/aiminghighmalaysia

Yap, J. B. H., & Ng, X. H. (2018). Housing affordability in Malaysia: perception, price range, influencing factors and policies. International Journal of Housing Markets and Analysis, 11(3), 476–497. https://doi.org/10.1108/IJHMA-08-2017-0069

Zainon, N., Mohd-Rahim, F. A., Sulaiman, S., Abd-Karim, S. B., & Hamzah, A. (2017). Factors affecting the demand of affordable housing among the middle-income groups in Klang Valley Malaysia. Journal of Design and Built Environment, 1-10.Ranjit Kumar. (2012). Research methodology: a step by step guide for beginners (3rd Edition). Sage Publications Ltd.

Zamri A. M., (2019). Homeownership Gaps among the Middle-Income Group in Malaysia. Journal of Science, Technology and Innovation Policy, 5(2), 50–62.