

**INFLUENCES OF HOUSING ATTRIBUTES ON
HOUSE PURCHASE INTENTION, MEDIATED
BY HOUSING PREFERENCE AND GENDER AS
A MODERATOR AMONG CONSUMERS IN
KOTA KINABALU**

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FULFILLMENT FOR THE DEGREE OF
MASTER IN BUSINESS ADMINISTRATION**

**SCHOOL OF BUSINESS, ECONOMICS AND
ACCOUNTANCY
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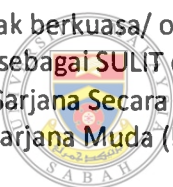
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ABSTRACT

THE INFLUENCES OF HOUSING ATTRIBUTES ON HOUSE PURCHASE INTENTION, MEDIATED BY HOUSING PREFERENCE AND GENDER AS A MODERATOR AMONG CONSUMERS IN KOTA KINABALU.

This study has been done as partial fulfilment of the requirements for the postgraduate degree of Master in Business Administration (MBA) at the School of Business, Economics and Accountancy, University Malaysia Sabah (UMS). It dealt with issues related to the housing industry, within the study area, which was the district of Kota Kinabalu (KK), Sabah.

The basis of the study was the Theory of Buyer Behaviour Model by Howard & Sheth (1973) and Loudon & Dell Bitta (1993). The Perception Construct of the Model consisted of the Independent Variables called Housing Attributes (House Features, Living Space, Distance and Environment). The Learning Construct consisted of the Mediating Variable (Housing Preference). The Output Construct consisted of the Dependent Variable (House Purchase Intention). The so called Exogenous Variables of the model consisted of four Independent Variables (Superstition-Numbers, Superstition-Ghosts, Developer and Financing) and a demographic factor (Gender).

The results of the study found that: Five of the eight Independent Variables (House Features, Financing, Distance, Environment and Superstition-Numbers) have significant relationships with the Dependent Variable (House Purchase Intention); Housing Preference (Mediator) mediates on the relationships between two Independent Variables (House Features and Financing) and the Dependent Variable (House Purchase Intention); and the demographic factor of Gender (Moderator) moderates on the relationships between two Independent Variables (Distance and Developer) and the Dependent Variable (House Purchase Intention).



ABSTRAK

Kajian ini dibuat sebagai memenuhi sebahagian daripada syarat-syarat untuk ijazah pasca Sarjana Pentadbiran Perniagaan (MBA) di Sekolah Perniagaan, Ekonomi dan Perakaunan, Universiti Malaysia Sabah (UMS). Ianya mengenai isu-isu berkaitan dengan Industri Perumahan di daerah Kota Kinabalu (KK) Sabah sebagai Kawasan Kajian.

Kajian ini berasaskan kepada "Theory of Buyer Behaviour Model" oleh Howard & Sheth (1973) dan Loudon & Dell Bitta (1993)". Angkubah Bebas, Ciri-ciri Perumahan (Ciri-ciri Rumah, Ruang Kehidupan, Jarak dan Persekitaran) membentuk bahagian "Perception Construct" teori itu. Angkubah Mediasi (Perumahan Pilihan) membentuk "Learning Construct" teori itu. Angkubah Bergantung (Niat Membeli Rumah) membentuk "Output Construct" teori itu. Empat Angkubah Bebas (Tahyul-Nombor, Tahyul-Hantu, Pemaju dan Kewangan membentuk) dan faktor demografi (Jantina) membentuk "Exogeneous Variables" teori itu.

Keputusan kajian ini mendapati: lima daripada lapan Angkubah Bebas (Ciri-ciri Rumah, Kewangan, Jarak, Persekitaran dan Tahyul-Nombor) mempunyai hubungan yang signifikan dengan Angkubah Bergantung (Niat Membeli rumah); Perumahan Pilihan (Mediator) memediasi hubungan antara dua Angkubah Bebas (Ciri-ciri Rumah dan Kewangan) dengan Angkubah Bergantung (Niat Membeli Rumah); dan faktor demografi Jantina (Moderator) memoderasi hubungan diantara dua Angkubah Bebas (Jarak dan Pemaju) dengan Angkubah Bergantung (Niat Membeli Rumah).

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CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter covered the background information for the study, problem identification, problem statement, research questions, research objectives, significance and scope of the study. Definitions based on literature reviews of variables used in the study were also provided at the end of the chapter. This chapter provided an overall initial picture of the whole study and facilitated easier understanding of the details in the rest of this study report.

1.2 Background

For the survival of any species in this world, we all know that after water, food and clothing the next most basic need is that of physical shelter as protection against the extreme elements of nature and predators. In the case of the human species, this comes in the form of housing. Abraham Maslow (1943), in his "Hierarchy of Needs" classified human needs in five ordered categories starting from the most basic at the bottom of the pyramid to the most sophisticated at the peak: Physiological, Safety, Love/Belonging, Esteem and Self-Actualization. A house can contribute to the satisfaction of needs at all levels (Asad, Zavei & Jusan, 2012). In a primitive society, a house mainly serve just to satisfy the most basic of physiological needs and safety. As society becomes more prosperous and advanced, a house tends to become more and more as serving to satisfy the more higher levels of human needs and in more and more varied and sophisticated ways. Therefore in order to achieve the most overall satisfaction in today's world, housing developers should strive to provide the type of houses which satisfy the needs of end users or consumers. This is the practice of good marketing.



According to McCarthy and Perreault (1993), business practices had progressively developed through a number of eras to what it is today: simple trade era, production era, sales era, marketing department era, and finally the marketing company era of today. It was only during the marketing company era that the needs of the consumers begun to be appreciated. Unlike other industries, the housing industry has been lagging where much of its business practices are still mostly in the production era even today. Steady progress are being made however where more and more housing developers are shifting their business strategies from being “producer convenience” to “customer focus”.

In line with the subject matter of this study, it is necessary to look into the economic situation of Malaysia in recent years and the part played by the housing industry and the government. By the end of 2013, Malaysia's economy grew by 4.7% led by expansion in the services, manufacturing and construction sectors with growth rates of 5.9%, 3.4% and 10.9% respectively. Residential activities posted the highest growth in construction with a 21.2% increase over the previous year's figures. The construction sector continued to grow during the year but slower than the previous year. To minimise speculation in the property market, the Government introduced in the Real Property gains Tax (RPGT). From 1st January 2014, the RPGT for property disposed within 3 years from assignment, capital gains are taxable at 30%. A property that is assigned within a holding up to 4 and 5 years, are subject to RPGT of 20% and 15% respectively. No RPGT is imposed on properties sold after 5 years from date of purchase. Before the revision, the RPGT rate for property disposals within two years was 15%, while the level for disposals between two to five years was 10%. RPGT imposed on the sale of properties by foreigners was revised upwards to 30% for all of the first five years from the date of purchase whilst those disposed on the 6th year onwards are taxable at 5%. Bank Negara Malaysia announced in July 2013, the implementation of a set of additional new measures aimed at deterring excessive household indebtedness and to reinforce responsible lending practices by key credit providers. Maximum tenure of 10 years for financing extended for personal use; maximum tenure of 35 years for financing granted for the purchase of residential and non - residential properties; and prohibition on the offering of pre - approved personal financing products. RM1 billion has been allocated in the 2014 budget for



PR1MA (Perumahan Rakyat 1 Malaysia) to provide 80,000 housing units at prices 20% lower than market prices. The government targets 223,000 units of affordable houses to be built by government and private sector in 2014. In total, PR1MA has been mandated to build 500,000 homes within the next five years.

The following are according to a report on the 2014 Malaysia Property Market by the Property Consultant firm, WTW International (CH William, Talhar & Wong). The Malaysia property sector in 2013, generally continued on a steady pace of growth. Despite recent macro events such as decline in palm oil prices and stricter lending guidelines resulting in more subdued activities, property prices have been sustained and developments in established locations and near to centre of activities remain highly demanded. For 2014, the scenario for the Kota Kinabalu property sector was anticipated to be similar to that of 2013 with prices, overall, continuing on an uptrend or sustained at current levels. Transaction volume however was expected likely to be moderate as the gap between sellers' expectations and purchasers' ability widens. Restricted affordability and tighter lending policies imposed by Bank Negara could see further easing in transaction activities. There were a number of property developments in the planning stage but the progress of these plans in 2014 was expected to face a challenge, amongst others, from the labour shortage expected to affect the construction sector. Taking into account the active market in previous years and increasing land and buildings costs, it was likely that price of condominiums would increase further in 2014. Residential developments started in 2013 comprised mainly of 2-storey terraced houses. Prices of new housing developments had continued rising from previous years. Older residences in established neighbourhoods remained highly demanded despite higher asking prices. House prices were expected to increase in view of rising land and building costs and limited new supply.

REHDA is an association of Real Estate and Housing Developers founded in 1970. It is recognised as the leading voice in advocacy and governance of the real estate and housing industry in Malaysia. To date, members of REHDA have built more than 4 million housing units and contributed in excess of RM 20 billion annually to



Malaysia's GDP, impacting at least 140 upstream and downstream industries. The motto of REHDA – A Responsive Respected Responsible Relevant NGO.

This study will be focussing on the region of Kota Kinabalu in Sabah as the Study Area. According to the last Malaysian Census of 2010, Kota Kinabalu has a population of 452,058 consisting of a mixture of many different races and ethnicities. Surprisingly, the majority of the city population were found to be Non-Malaysian citizens with 110,556 people followed by Chinese (93,429), Bajau (72,931), Kadazan-Dusun (69,993), other Bumiputra (59,607), Bruneian Malays (35,835), Murut (2,528), Indian (2,207) and others (5,482). Hakka formed the majority of the Chinese and residing mainly in the Luyang area. Penampang is the heartland of the Kadazan-Dusun. The Bajau are mainly found in Likas, Sembulan and Karambunai while the Bruneian Malays are scattered throughout the city. In terms of religion, the Brunei Malay and Bajau are mainly Muslims, Kadazan-Dusun mainly Christians, while the Chinese are either Buddhists, Confucians or Christians. The very small number of Indians are Hindus, Sikhs, or Muslim. There are still small groups of people such as the Bajau Laut, some Dusun and Murut who are Animists.

1.3 Problem Identification

As already mentioned, unlike other industries, the housing industry has been and maybe still is one which is producer led rather consumer led. According to MacLennan (2002), economists have characterized housing as a bundle of attributes. Some of these attributes are derived from the internal characteristics of the house unit such as the rooms available and others are external such as location, accessibility to utilities, services and facilities. In the UK (Britain), house builders previously had carried out very little consumer research where many housing developers failed to collect even the most basic of data on consumers (Mills 2000). This resulted in discrepancies or gaps between consumers' expectations and experiences, and consumers' and developers' perceptions which are significantly related to customer satisfaction (Brown and Swartz, 1989). Ozaki (2002) emphasized the importance of focussing on these gaps. He noted that in recent years, studies had shown that for the private new house-building industry, there had been a shift from producer

convenience to customer focus, where customer satisfaction had become the key driver (Barlow and Ozaki 2000). It is therefore important to look into the various factors influencing the consumers' house purchase activities.

With various recent measures taken by the government to reduce speculative house purchases such as by increasing the Real Property Gains Tax (RPGT) within five years of purchase and restriction on purchase by foreigners, most sales of houses are expected to be by genuine consumers with their various individual preferences. Should the government allow speculators to dominate the housing market, the genuine local consumers will be deprived of proper housing. Speculation will only drive house prices to ridiculously high levels beyond the purchasing capacity of local consumers. Eventually the housing bubble will burst resulting in nationwide economic crisis like what is happening in China and neighbouring countries. The government is therefore right in facilitating the creation of a stable and housing market consisting of genuine local consumers. Developers then should play their role in catering for the market demand by focussing on the actual needs of consumers and resulting in a win-win situation for all players in the industry.

Most previous real estate studies had been based on neoclassical economics, where consumers were expected to make real estate decisions that maximize their utility and wealth given price and income constraints. Tastes and preferences were taken as given. The outcomes of consumer actions were used to infer these preferences (Gibler & Nelson 1998). They suggested that the study of real estate would benefit from an expansion to include consumer behaviour concepts from sociology and psychology as synthesized through marketing. Inclusion of these concepts in real estate education would help real estate analysts better explain and predict the behaviour of decision-makers in real estate markets.

Malizia and Exline (2000) mentioned that "The conventional stereotyped preferences for a housing product by the Americans satisfies five criteria: suburban location and design, single-family detached house, location within a low-density neighbourhood, ease of automobile use and lowest cost given the other four previous

criteria.” In the case of the Malaysian housing market, several other factors may be added to these.

1.4 Problem Statement

According to the 2014 Malaysian Property Market Report by a property consultant, WTW International (page 38) on the housing market in Kota Kinabalu, “Transaction volume is likely to moderate as the gap between sellers’ expectations and purchasers’ ability widens.” In other words, there are gaps between house buyers’ expectations and what the housing developers are providing. These are resulting in the consumers getting less satisfaction from their house purchase and the developers getting less profit from less than optimal selling prices.

Also based on the same report mentioned above, it seemed that the local housing developers have not been making effort to do gap analysis of the consumers’ real needs and preferences and what are being offered to them in terms of housing. Their business practices are still being based on producer convenience instead of consumer focus. This has also been observed in studies done elsewhere. In the UK (Great Britain), house builders previously had carried out very little consumer research where many housing developers failed to collect even the most basic of data on consumers (Mills 2000). This resulted in discrepancies or gaps between consumers’ expectations and experiences, and consumers’ and developers’ perceptions which are significantly related to customer satisfaction (Brown and Swartz, 1989).

We do not know the actual needs preferences of house buyers in the local market (Kota Kinabalu Sabah). These could be based purely on economic reasons such as pricing and speculations or they may be more complex and sophisticated. In this case, consumer behaviour theories may be applicable in addition to economic theories.

1.5 Research Questions

- 1.5.1 Do Housing Attributes (House Features, Living Space, Financing, Distance, Environment, Superstition and Developer Brand) have significant relationships with Consumer House Purchase Intention?
- 1.5.2 Do Housing Attributes (House Features, Living Space, Financing, Distance, Environment, Superstition and Developer Brand) have significant relationships with the Housing Preference of consumers?
- 1.5.3 Does Consumer Housing Preference mediate the relationship between Housing Attributes and the Consumer House Purchase Intention?
- 1.5.4 To what extent does the demographic factor of Gender moderate on the relationships between Housing Attributes and Consumer House Purchase Intention?

1.6 Research Objectives

- 1.6.1 To examine the relationship between Housing Attributes (House Features, Living Space, Financing, Distance, Environment, Superstition and Developer Brand) and Consumer House Purchase Intention.
- 1.6.2 To examine the relationship between Housing Attributes (House Features, Living Space, Financing, Distance, Environment, Superstition and Developer Brand) and Consumer Housing Preference.
- 1.6.3 To examine the mediation effects of Consumer Housing Preference on the relationship between Housing Attributes and Consumer House Purchase Intention.

1.5 Research Questions

- 1.5.1 Do Housing Attributes (House Features, Living Space, Financing, Distance, Environment, Superstition and Developer Brand) have significant relationships with Consumer House Purchase Intention?
- 1.5.2 Do Housing Attributes (House Features, Living Space, Financing, Distance, Environment, Superstition and Developer Brand) have significant relationships with the Housing Preference of consumers?
- 1.5.3 Does Consumer Housing Preference mediate the relationship between Housing Attributes and the Consumer House Purchase Intention?
- 1.5.4 To what extent does the demographic factor of Gender moderate on the relationships between Housing Attributes and Consumer House Purchase Intention?

1.6 Research Objectives

- 1.6.1 To examine the relationship between Housing Attributes (House Features, Living Space, Financing, Distance, Environment, Superstition and Developer Brand) and Consumer House Purchase Intention.
- 1.6.2 To examine the relationship between Housing Attributes (House Features, Living Space, Financing, Distance, Environment, Superstition and Developer Brand) and Consumer Housing Preference.
- 1.6.3 To examine the mediation effects of Consumer Housing Preference on the relationship between Housing Attributes and Consumer House Purchase Intention.

1.6.4 To examine the moderating effects of the demographic factor of Gender on the relationships between Housing Attributes and Consumer House Purchase Intention.

1.7 Significance of the Research

It is hoped that the results of this study will be able to identify the gap between the expectations of the consumers of housing products and what had been offered by housing developers in the study area of Kota Kinabalu Sabah. With the knowledge resulting from the study, housing developers should be better able to redesign their housing products in such ways that the consumers would be able to enjoy higher satisfaction and willing to pay better prices for their house purchase. In this way, both parties in the transaction will gain better benefits and the society and economy as a whole as well.

1.8 Scope of the Research

The research Study Area is limited to the district of Kota Kinabalu which include the capital city of the state of Sabah. The study covers every ethnic groups found in Kota Kinabalu. Unlike in traditional villages, there is no tendency for each ethnic group to cluster together in newly developed housing areas. Therefore there may not be any attempt to study the influence of ethnic variation in the market. The result of this study may not be suitable for making any generalization about the housing market outside the study area.

1.9 Definitions of Variables

1.9.1 House Features

House Features include things like House Design, House Size and Building Quality, bathrooms quantity, bedroom quantity, interior design, exterior design, or finishing which has influences on an individual's house purchase decision (Adair et al 1996, Daly et al 2003, Sengul et al 2010 p218, Opuku & Abdul-Muhmin 2010).

1.9.2 Living Area

According to Opoku & Abdul-Muhmin (2010), Private Living Space or Living Area includes things like living room size, kitchen size, number of bathrooms and number of bedrooms, Total Floor Area and Number of Storeys and is considered as one of the most important factors affecting consumer housing decision

1.9.3 Financing

Financing in house buying can be defined as being based on a combination of house price, mortgage loans, income and terms of repayment (Opoku & Abdul-Muhmin 2010 and YongZhou 2009).

1.9.4 Distance

This includes convenient distance to work place (Tu & Goldfinch 1996), close distance to school (Clark, Deurloo & Dielemn 2006) and distance to retailer outlets (Wang & Li 2006). Close access distance to recreational facilities and to main roads have also been proposed by Iman et al. (2012).

1.9.5 Environment

Environmental factors include things like condition of neighbourhood, attractiveness of the area, quality of neighbouring houses, type of neighbouring houses, density of housing, wooded area/tree coverage, slope/topography of the land, attractive views, open space, non-residential uses in the area, vacant sites, traffic noise, level of owner-occupation in neighbourhood, level of education in neighbourhood, level of income in neighbourhood, security from crime, quality of schools and religious composition of neighbourhood (Adair, 1996).

APPENDIX 1

References

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