

FACTORS AFFECTING CONSUMERS' CHOICE IN RESIDENTIAL PROPERTIES AND THE FUTURE OF THE REAL ESTATE BUSINESS IN THE PHILIPPINES

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Abstract: *Today, marketers are customer-oriented and the ultimate concern is to identify the consumers' decision-making process. The study was based on Theory of Reasoned Action and Theory of Planned Behavior. The research design is quantitative method. Descriptive-Exploratory Design was utilized in the study. The respondents were 400 potential residential property buyers. This study was limited to the following criterion: respondents must be 18 years old and above; respondents must have work; and, respondents must have plans to buy residential property from any of the top 10 real estate developers in the Philippines. The researcher used purposive sampling method. The data collected through survey questionnaires was entered and analyzed using SPSS software. The study examined the significant relationship between the factors affecting a purchase namely cultural, social, personal, and psychological factors and consumers' choice such as price, location, safety and security, facilities and amenities, and exclusivity towards purchase intention of residential property. Based on the findings of the study, the researcher proposed a model for the consumer behavior of residential properties in the Philippines.*

Keywords: *Consumer Behavior, Philippines, Real Estate, Residential Property*

Introduction

Today, marketers are customer-oriented society and the ultimate concern is to identify the consumers' decision-making process. This is a process describing how a consumer makes choices and through understanding their behavior it will provide a significant impact to have a larger market share in the company.

Knowing the diversity of individual actions of people in buying and selling residential properties and their developing effects on the international market is still an open challenge, resolving this difficulty could be beneficial for foreseeing variations in the real estate market

prices, and recognizing the multifaceted features that influence the market (García-Magarino & Lacuesta, 2017).

Real estate is a distinctive product in the market because of its heterogeneity, low liquidity; high dealings cost and fix location (Cozmei & Onofrei, 2012; Zhu, 2004). Buying residential property is one of the most imperative transactions that consumer will ever make (Salzman & Zwinkels, 2017).

Metro Manila is a big city on Luzon Island and one of the most populated city places in Southeast Asia. In addition, Metro Manila's recent demographic growth at 3.1% should this level of population increase be preserved in the future periods then by 2050 its official population between will be around 25 million. Such growth in the number of people living within the urban positively will worsen present difficulties such as lack of green public places, roasting traffic jamming, extensive existence of informal housing, and inefficient public transportation system (Morley, 2018). The next step for developers is to set secondary cities such as Iloilo and Cebu on the global investment map (Lamudi, 2016). The development side of real estate delivers the substance for the fabric of the economic growth through the conveyance of residential property, hotel, office, industrial and retail (Newell & McGreal, 2017).

The factors affecting consumers' choice in residential properties have not been deeply discussed. By recognizing and understanding the factors affecting consumers' choice namely cultural, social, personal, and psychological in purchasing residential properties in the Philippines will have the chance to cultivate a strategic action, competitive advantage, and promotional campaigns that delight the market needs and wants leading to increase profitability.

Literature Review

Cultural, social, personal, and psychological factors may affect the consumers' choice in residential property. Literature review will give deeper understanding of the variables mentioned below.

Cultural Factors

Culture is prevalent, encompassing all the things consumers do without conscious choice. Consumer behavior is extremely affected by cultural factors, such as buyer's culture, subculture and social class.

Shavitt and Cho (2016) stated that consumer behavior includes a wide scope of occurrences, and cultural factors have been revealed to impact many of them, culture forms what common objectives consumers have (Yang, Stamatogiannakis & Chattopadhyay, 2015), and how they react to prices (Bolton, Keh & Alba, 2010), advertising components (Kwon, Saluja & Adaval, 2015), and brand images (Torelli, Özsomer, Carvalho, Keh & Maehle, 2012).

Social Factors

Social factors that affect consumer buying decisions social factors include family, reference groups, opinion leaders, social class, life cycle, culture, and subculture.

Residential property is not only an indicator of one's quality of life (Wang, Yang, Jin, & Zhang, 2016; Akihiro & Iwai, 1976). However, it also implies social class for the country's city residents. (Wang, Yang, Jin, & Zhang, 2016; Veronica Cacdac & Francis E, 2008).

Personal Factors

Earnings, age of homeowner, number of family members, and socio-economic status were stated as important features in the choice between rental and owner-occupied residential property in the earlier research (Yi & Lee, 2014; Cho, 1992; Eliasson, 2010; Kim & Lee, 2004; Lee, 2007). Other study also showed that work, salary, and views of wealth are reflected to be the most influential drivers of consumer behavior and spending (Callahan, 2014).

In addition, the affordability of units, according to which residential property prices should not go beyond the level of 30% household's disposable income (Grum & Grum, 2014).

Furthermore, housing costs become an enormous problem mainly for low and middle income households and inequality in housing is severe (Zhang & Ball, 2016).

Psychological Factors

An individual's buying decisions are more influenced by the following psychological factors particularly perceptions, motivation, learning, and beliefs and attitudes. Consumers procure a residential property with the intention to fulfill their self-esteem and self-actualization needs (Nunarong & Punnakitikashem, 2018).

Consumers' Choice Factors

Study identified 5 factors that affect the purchase intention of residential property buyers in the Philippines such as price, location, safety and security, facilities and amenities, and exclusivity. Other research presented factors such as location and design; price; type of neighborhood; view and ventilation; facilities and amenities; prestige, luxury and style; and Feng Shui (Salleh, Zoher, Mahayuddin, & Abdul, 2017).

Price and interest rate are very significant factors in acquiring a residential property (Kalia, 2013). In addition, residential property prices are influenced by core economic features containing population growth, monetary policy, interest rates, national income and rents (Zheng, Wang, Wang, & Wang, 2017). Other study showed that the top three factors that should be measured by the buyer before purchasing a residential property are location, location and location (Salleh, Zoher, Mahayuddin, & Abdul, 2017; Marbeck, 1994). Also, the assessment of a building in terms of fire safety is constantly intended at gauging its compliance with certain safety standards in accordance with building system maintenance (Nimlyat, Audu, Ola-Adisa, & Gwatau, 2017; Santos-Reyes & Beard, 2001). Moreover, successful urban planning depends on identifying residential property buyers' preferences for vicinity factors that provide diverse amenities such as maintained trees and parks (Belcher & Chisholma, 2018). Furthermore, striking views, better natural lightings and good air circulation are the key elements to make exclusive and gorgeous hillside housing (Salleh, Zoher, Mahayuddin, & Abdul, 2017; Samah, 2010).

Theoretical Framework

The paper was based on Theory of Reasoned Action and Theory of Planned Behavior.

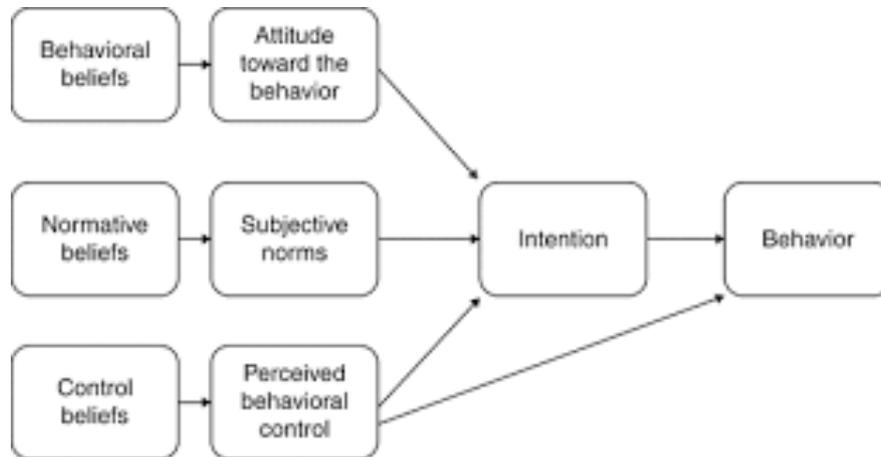


Figure 1: Theory of Reasoned Action (TRA)

Ajzen and Fishbein (1980) established theory of reasoned action (TRA) to elucidate broad human behavior – expressing that beliefs affect attitudes leading to intention, and finally to behavior.

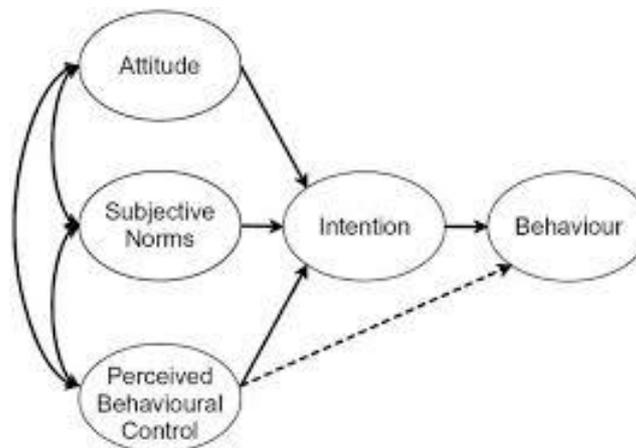


Figure 2: Theory of Planned Behavior (TPB)

Theory of Planned Behavior (TPB) is an extension of Theory of Reasoned Action (TRA). TPB is based on the idea that people make coherent, rational decisions to encompass in certain behaviors by assessing the existing material. The performance of a behavior is recognized by the person's intention to involve in it and the opinion that the behavior is within his/her control (Ajzen, 1991).

Research Paradigm

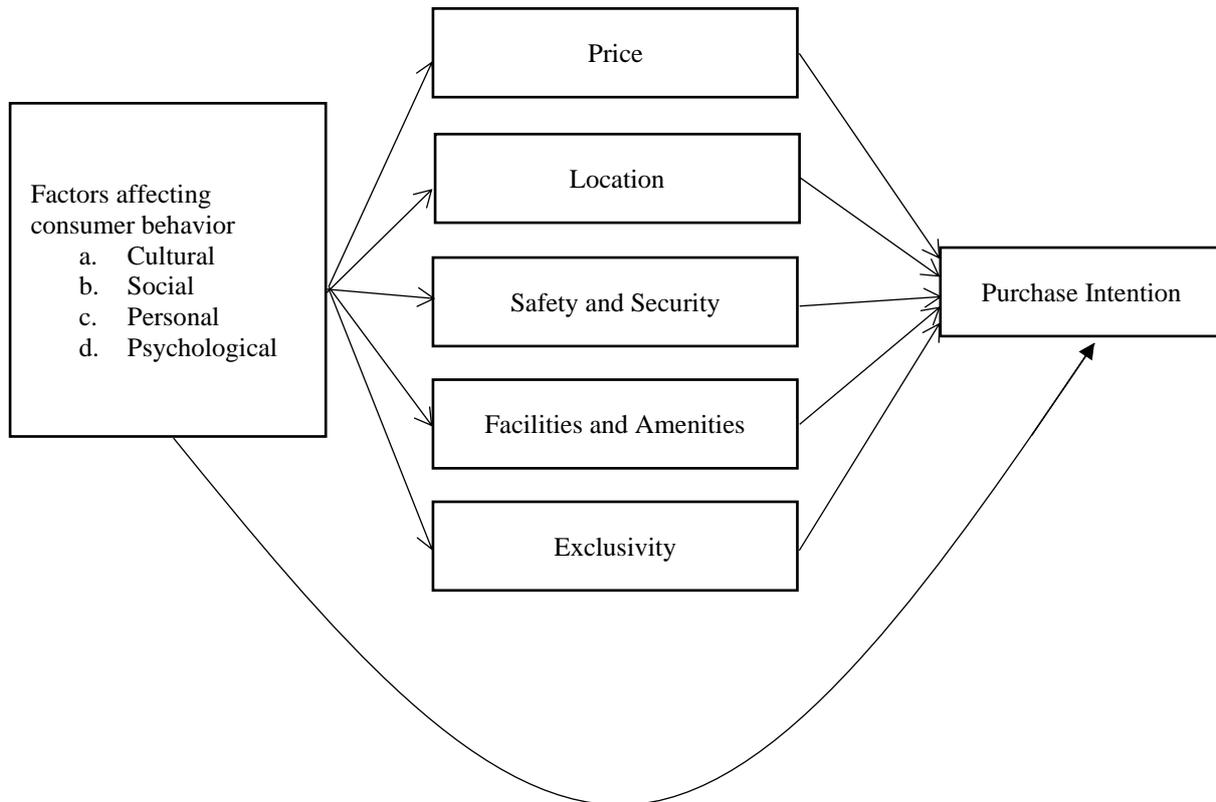


Figure 3: Conceptual Framework

The illustration shows the relationship between the factors affecting consumer behavior clearly cultural, social, personal, and psychological factors and consumers' choice namely price, location, safety and security, facilities and amenities, and exclusivity towards purchase intention of residential property. Based on the findings of the study, the researcher proposed a model for the consumer behavior of residential properties in the Philippines.

Hypotheses

In order to fulfill the objectives of the paper, the researcher statistically tested the following null hypotheses at 0.05 level of significance:

H_{01} There is no significant relationship between factors affecting consumer behavior and consumers' choice factors in purchasing residential property.

H_{02} There is no significant relationship between factors affecting consumer behavior and purchase intention of residential property.

Research Methodology

The study tested empirically using the self-constructed survey questionnaire to help the researcher scrutinize the research questions. The instruments were given online to 400 potential residential property buyers. The survey questionnaire was formed in two parts. The first part identified the demographic profile of the respondents and the second part detailed the structured survey questionnaire.

The researcher used purposive sampling method. Respondents should meet the following criterion:

- (1) Respondents must be 18 years old and above;
- (2) Respondents must have work; and,
- (3) Respondents must have plans to buy residential property from any of the top 10 real estate developers in the Philippines.

If any of the criterion answered “no”, thus the respondent is not qualified answering the survey questionnaire. On the other hand, if three criteria answered with a “yes”, then the respondent would be requested to complete the survey.

The respondents were 400 potential residential property buyers from any of the top 10 real estate developers in the Philippines namely Ayala Land, SM Prime, Megaworld, DMCI Homes, Federal Land, Robinsons Land Corp., Vista Land and Lifescapes, Filinvest Land, Shang Properties and Century Properties (Sohlberg, 2017).

Results

RQ₁. What is the factor affecting consumer behavior in purchasing residential property in terms of the following:

- A. Cultural factor,
- B. Social factor,
- C. Personal factor, and
- D. Psychological factor?

Table 1: Factors affecting Consumer Behavior in Purchasing Residential Property

Factors affecting consumer behavior	SD	%	D	%	SLD	%	SLA	%	A	%	SA	%	SLD TO SD	SLA TO SA	MEAN
1. Cultural Factors															
1.1 My choice is influenced by my culture.	32	8.00	28	7.00	50	12.50	125	31.25	108	27.00	57	14.25	27.50	72.50	4.05
1.2 My choice is influenced by my nationality.	54	13.50	52	13.00	81	20.25	107	26.75	73	18.25	33	8.25	46.75	53.25	3.48
1.3 My choice is influenced by my religion.	94	23.50	66	16.50	71	17.75	88	22.00	53	13.25	28	7.00	57.75	42.25	3.06
1.4 My choice is influenced by the group to which I belong.	42	10.50	39	9.75	57	14.25	117	29.25	101	25.25	44	11.00	34.50	65.50	3.82
2. Social Factors															
2.1 My choice is influenced by my family.	9	2.25	11	2.75	34	8.50	87	21.75	129	32.25	130	32.50	13.50	86.50	4.77
2.2 My choice is influenced by my friends.	44	11.00	61	15.25	94	23.50	133	33.25	57	14.25	11	2.75	49.75	50.25	3.33
2.3 My choice is influenced by the celebrities.	165	41.25	78	19.50	80	20.00	48	12.00	24	6.00	5	1.25	80.75	19.25	2.26
2.4 My choice is influenced by my roles and status.	17	4.25	18	4.50	30	7.50	101	25.25	140	35.00	94	23.50	16.25	83.75	4.53
3. Personal Factors															
3.1 My choice is influenced by my age.	16	4.00	15	3.75	41	10.25	94	23.50	151	37.75	83	20.75	18.00	82.00	4.50
3.2 My choice is influenced by my occupation.	8	2.00	12	3.00	38	9.50	77	19.25	143	35.75	122	30.50	14.50	85.50	4.75
3.3 My choice is influenced by my lifestyle.	6	1.50	8	2.00	34	8.50	90	22.50	148	37.00	114	28.50	12.00	88.00	4.77
3.4 My choice is influenced by my personality.	3	0.75	6	1.50	29	7.25	77	19.25	149	37.25	136	34.00	9.50	90.50	4.93
4. Psychological Factors															
4.1 My choice is influenced in line with my attitude.	9	2.25	23	5.75	40	10.00	111	27.75	142	35.50	75	18.75	18.00	82.00	4.45
4.2 My choice is influenced by my perception.	7	1.75	12	3.00	21	5.25	105	26.25	161	40.25	94	23.50	10.00	90.00	4.71
4.3 My choice is influenced by my motivation.	5	1.25	2	0.50	17	4.25	86	21.50	163	40.75	127	31.75	6.00	94.00	4.95
4.4 My choice is influenced in line with my beliefs.	15	3.75	17	4.25	38	9.50	105	26.25	140	35.00	85	21.25	17.50	82.50	4.48

Table 1 shows the factors affecting consumer behavior in purchasing residential property. SD stands for Strongly Disagree, D for Disagree, SLD for Slightly Disagree, SLA for Slightly Agree, A for Agree, and SA for Strongly Agree.

The data show that under cultural factors – 290 potential residential property buyers or 72.50% of the respondents with mean score of 4.05 are influenced by culture, 262 of them or 65.50% with mean score of 3.82 are influenced by the group to which they belong, and 213 of them or 53.25% with mean score of 3.48 are influenced by nationality. Shavitt and Cho (2016) indicated that consumer behavior comprises a varied scope of occurrences, and cultural factors have been discovered to influence many of them (Yang, Stamatogiannakis & Chattopadhyay, 2015).

In addition, under social factors – 346 of them or 86.50% with mean score of 4.77 are influenced by their family, 335 of them or 83.75% with mean score of 4.53 are influenced by their roles and status, and 201 of them of 50.25% with mean score of 3.33 are influenced by their friends. Social mediators were often mentioned by the respondents as external triggers to moving (Akerlund, 2013). Marketers often define their target markets in terms of consumers' life cycle stage, social class, culture, and subculture; consumers with similar characteristics generally have similar consumption patterns.

Moreover, under personal factors – 362 of them or 90.5% with mean score of 4.93 are influenced by their personality, 352 of them or 88% with mean score of 4.77 are influenced by their lifestyle, 342 of them or 85.50% with mean score of 4.75 are influenced by their occupation, and 328 of them or 82% with mean score of 4.50 are influenced by their age. Imperative factors that affect personal buying behavior are lifestyle, economic status, occupation, age, personality and self-esteem. In lifestyle-driven procurement, the quality of life causes infuse the acquisition process (Akerlund, 2013).

Furthermore, under psychological factors – 376 of them or 94% with mean score of 4.95 are influenced by their motivation, 360 of them or 90% with 4.71 are influenced by their perception, 330 or 82.5% with mean score of 4.48 are influenced in line with their beliefs, and 328 of them or 82% with mean score of 4.45 are influenced in line with their attitude. Psychological traits show an imperative part in understanding and predicting consumer behavior (Matz & Netzer, 2017).

RQ₂. What is the relationship between the factors affecting consumer behavior in the following:

A. Consumers' choice factors, specifically:

- A1. Price,
- A2. Location,
- A3. Safety and security,
- A4. Facilities and amenities, and
- A5. Exclusivity?

B. Purchase intention of residential property?

Table 2: Relationship between the Factors affecting Consumer Behavior and Consumers' Choice towards Purchase Intention

		Correlations					
		PRICE	LOCATION	SAFETYSEC	FACILITIES	EXCLUSIVITY	INTENTION
CULTURAL	Pearson Correlation	.052	.161**	.023	.029	.174**	.105
	Sig. (2-tailed)	.297	.001	.647	.566	.000	.036
	N	400	400	400	400	400	400
SOCIAL	Pearson Correlation	.200**	.165**	.101*	.141**	.293**	.198**
	Sig. (2-tailed)	.000	.001	.043	.005	.000	.000
	N	400	400	400	400	400	400
PERSONAL	Pearson Correlation	.337**	.263**	.264**	.193**	.291**	.317**
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000
	N	400	400	400	400	400	400
PSYCHOLOGICAL	Pearson Correlation	.265**	.139**	.216**	.185**	.258**	.253**
	Sig. (2-tailed)	.000	.005	.000	.000	.000	.000
	N	400	400	400	400	400	400

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

* . Correlation is significant at the 0.05 level (2-tailed).

Table 2 presents the relationship between the factors affecting consumer behavior and consumers' choice towards purchase intention of residential property.

P-value less than 0.05 shows significant relationship. Cultural factors is significantly related to location (.001) and exclusivity (.000) while social factors are significantly related to all consumers' choice factors particularly price (.000) , location (.001) , safety and security (.043), facilities and amenities (.005) , and exclusivity (.000). Personal are also significantly related to all consumers' choice factors namely price (.000), location (.000), safety and security (.000), facilities and amenities (.000), and exclusivity (.000). In addition, psychological are also significantly related to all consumers' choice factors such as price (.000), location (.005), safety and security (.000), facilities and amenities (.000), and exclusivity (.000).

Furthermore, purchase intention is significantly related to all the factors affecting consumer behavior. It is significantly correlated to cultural (.036), social (.000), personal (.000), and psychological factors (.000).

RQ₃. What is the proposed model for the consumer behavior in purchasing residential property?

Table 3: Proposed Model for the Consumer Behavior in Purchasing Residential Property

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.535 ^c	.286	.281	.69870	1.930
Predictors: (Constant), EXCLUSIVITY, PERSONAL, PRICE					
Dependent Variable: INTENTION					

Table 3 exhibits the proposed model for the consumer behavior in purchasing residential property.

Predictors of purchase intention are exclusivity, personal factors and price factors with coefficient of determination of 28.6%. The model shows that factor affecting consumers' choice in purchasing residential property specifically personal have significant relationship in terms of price and exclusivity, and these consumers' choice particularly price and exclusivity have significant relationship to purchase intention.

Discussion

Cultural factors is significantly related to location and exclusivity while social, personal and psychological are significantly to all consumers' choice factors particularly price, location, safety and security, facilities and amenities, and exclusivity. Also, purchase intention is significantly related to all the factors affecting consumer behavior. It is significantly correlated to cultural, social, personal, and psychological factors. In addition, predictors of purchase intention are exclusivity, personal factors and price factors.

Condominiums are booming again since the millennial age group invests to residential property as first-time purchasers and suburban baby boomers downscale to urban high rises (Newswire, 2015). Condominium areas are developing in intensifying city centers as a response to market and demographic preferences for homeownership (Webb & Webber, 2017).

In order to upsurge the real estate business in the Philippines, the researcher proposed a model for the consumer behavior of residential properties in the Philippines. The residential property developers should pay attention in building properties that is focusing on personal factors such as age, occupation, lifestyle and personality, and others with similar characteristics with affordable prices, available discounts, flexible payment terms and conditions (spot cash, installment, bank financing, etc.), flexible payment schemes (cash, credit card, cheque, etc.) and low interest rate. Also, it is important to address the exclusivity of the residential property that includes commercial establishments, total number of units in the project, and neighborhood.

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