

CONCEPTUAL MODEL OF MILLENNIALS HOUSING PREFERENCES MODEL

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Article history

Received date : 2-1-2021

Revised date : 3-1-2021

Accepted date : 23-2-2021

Published date : 31-3-2021

To cite this document:

Ashari & Rahadi (2021). Conceptual Model of Millennials Housing Preferences Model. *International Journal of Accounting, Finance and Business (IJAFB)*, 5 (32), 88 - 95.

Abstract: *This study will discuss the housing preferences of millennials in Surabaya. The approach used by analyzing previous related studies, making synthesis from collected study, and creating a critical view for each related study. The objective of this research is to find the decision reason for the millennial when buying a house. This study uses the previous housing preferences model in Jakarta (Y. Mulyano et al 2020), with several indicators, such: location, accessibility, price, physical attributes, facilities, design, and aesthetic aspects, developer reputation, land ownership and adding one influential indicator from another research is the service charge (Tawil, et al 2017). All these indicators will determine millennials' choice when buying a house, especially the characteristics of the house, whether they prefer a vertical house or a landed house. The scope of this research is focused on analysis of housing preferences only on millennials in Surabaya. This study's findings produce several actions based on the result of millennials preferences in Surabaya for three main stakeholders are consumers, real estate developers, and government.*

Keywords: *Housing; Millennials; Preferences; Property*

Introduction

Indonesia is the fourth most populous country after China, India, and the United States. Several cities have contributed to a large population, such as Jakarta, Surabaya, Bandung, Medan, Bali, Yogyakarta, and Makassar. Java Island is the densest island among other islands. The population density in big cities in Indonesia increases each year, peaking in the 1990-2000 range (World Bank, 2019). The phenomenon occurs because of people seeking opportunities for a better living. The attractive jobs and a lack of jobs in the villages have motivated many people to move to big cities. Adequate facilities and infrastructure in the city increase the interest of people to come. As the second-largest city in Indonesia and the capital of East Java, Surabaya is one of the cities developing as urbanization. Surabaya as a port city has become a melting pot for several tribes, including Javanese, Chinese, Arabic, and Madurese (Badan Pusat Statistik Surabaya, 2020). The several tribes make the population increase each year, with a population growth rate of 2.07 percent in 2019 from the same period the previous year, which

is at a rate of 0.64 percent. The total population of Surabaya reached 3.15 million in 2019 or an increase of around 60 thousand from the 2018 period of 3.09 million. With the growing population, the population density reached 9,497 inhabitants / km² (Badan Pusat Statistik Surabaya, 2020). In terms of population density, although Surabaya is the second-largest city in Indonesia, the density level is relatively low compared to other big cities such as Jakarta (15,938 people / km²) (Badan Pusat Statistik DKI Jakarta, 2020), Bandung (13,679 people / km²) (Badan Pusat Statistik Bandung, 2020), and Yogyakarta (13,340 people / km²) (Badan Pusat Statistik D.I. Yogyakarta, 2020). Density increases in the morning, then at night decreases in displacement due to activities movement (World Bank, 2019). So many people choose to live in suburban because of the affordable housing prices. This phenomenon is common because housing prices in the middle of the city are too expensive.

Millennials' Housing Preferences in Surabaya

In Surabaya, the millennial generation (aged 20-39) reached 30.28% of the total population. There is a big question of whether they can afford to buy a house with a regional minimum wage of around 4.2 million with their large number. It is predicted that getting a house in the middle of the city will be complicated with a down payment requirement of 10% of the total property price. The price of houses getting more expensive made them choose to buy a house outside Surabaya, such as in Sidoarjo or Gresik. Suburban is a solution because land prices are relatively affordable, even though it is relatively far and requires transportation. Meanwhile, some people who prioritize accessibility to schools or offices prefer vertical housing or apartments. Although the area is limited, supporting facilities and a strategic location is a solution for some people. Plus, several vertical houses are connected to malls or offices that make people no longer think of using transportation again. From the point of view of a real estate developer, apartments are one of the profitable options, by utilizing limited land but being able to maximize the height of the building so as to make more profits. Research on apartments throughout Surabaya, throughout 2020 there will be an additional supply of 1,961 units apartment and according to Colliers projections in the future between 2020 until 2024 the average addition will reach 5,571 units. With the amount of supply seen from this study, it can indicate that the number of apartments will increase in the future (Colliers Research International, 2020). Even though the home is an essential part of life, the millennial generation, as the generation most dominating of the workforce, currently still has difficulty owning a home. Only about 35.1% of millennials can own a house on their own and assistance from their parents. Meanwhile, 64.9% are still struggling to have a house. With the increasing price of houses and the millennial generation's very consumptive lifestyle, it is doubtful for the millennial generation to own a house (IDN Research Institute, 2019). From that research, it can be interpreted that there is a knowledge gap that is owned by the millennial generation in owning a house, therefore it is essential to know what factors influence the decision to choose a suburban landed house or choose a vertical house with limited space downtown. Many considerations influence buying a house. Therefore this research aims to see what influences the choice of the millennial generation in Surabaya in buying their house.

Literature Review

Millennials

Millennials generation according to Alvara Research Center (*INDONESIA 2020: The Urban Middle-Class Millennials*) generation born between 1980 until 2000 (ages 20 to 39 in 2020) is considered a Millennial or generation Y. Generation before millennial called Generation X, then generation after Millennials called generation Z. 80s and 90s was the era of the development of computers and the internet around the world. The millennials are the first generation born immersed in the internet era (Mueller et al., 2011). Millennials have a lot of experience in technology developments from landlines to mobile phones that everyone has. They also experienced a period where social media trends developed, from using pagers as communication media, then Mirc, Friendster, Yahoo Massager, Facebook, Twitter, and finally Instagram. They grew up with the influence of the internet and mobile devices; they believe that the internet is necessary for human life, such as water. Thus, they would rather live without one of their five senses than without their smartphones (Stewart et al., 2016). Millennials are also characterized by those who entered the labor market (Pyöriä et al., 2017). In Indonesia, millennials make up a large population of around 34% of Indonesia's total population. Total population millennials reach 83 million people from 271 total population of Indonesia. The millennials population makes millennials a vital generation because they are of productive age and more extensive than other generations and will be the Indonesian economy's backbone. With millennial characteristics familiar with technology or the internet, urban areas are the main attraction for millennials in looking for work. From population census (SP) data conducted by the Central Bureau of Statistic Indonesia (BPS) in 2010, the urban population reached 49.8%. It is projected that in 2020 it will reach 56.7%, and in 2035 it will reach 66.6%.

There are at least three reasons why urban population growth in Indonesia: the urban population growth, urbanization, and the reclassification of the rural village into an urban village. Urbanization and reclassification of rural villages into urban villages are thought to be the main cause of the high rate of rural populations, becoming urban residents. Many people who have higher education are also a major cause of urbanization because they are reluctant to return to their origin. (Alvara Research Center, 2020)

Location

Location is one of the factors that influence the purchase of housing. Sometimes with a small area but the location in the middle of the city will affect many people's attractiveness to buy, at a relatively high price. Housing in the strategic area also has attractiveness more than those who do not. The close distance from the housing to the health care facilities or hospitals also influences the decision-making of buying a property (Olanrewaju, A et al., 2017). People seek the house's specific location because they have an intended purpose, such as the distance to work, school, or market. The location near close family members also affects consumer preferences when deciding to buy a house (Mulder, C., 2007). The strategic location of the housing can also save a lot on transportation costs. Indeed, the house price will be expensive, but with house prices that increase significantly every year, it becomes a benefit.

Accessibility

Accessibility is a further consideration. Many of access in real estate development will help consumers get faster to the destination and shorten the time used in their movement (Rahadi, R., et al., 2020). A house is difficult to reach even though it has a strategic location with bad

traffic, a tiny road, and not connected to public transportation. Sometimes, a far away house but has great accessibility like close to highway entrance or public transport is much better. Accessibility of a particular location determined by the easiness to enter and exit the area using a transport system and land-use pattern (Zondag, B. and Pieters, M, 2005).

Price

House value is an essential and vital indicator. According to (Purwanegara & Rahadi, 2017), price is one of the most influencing factors for the consumer's decision-making process when buying a house. With significant population growth, land or property value also increases because land supply in a strategic location is limited. The limited land supply, while the demand for housing is increasing, makes the house price spikes. On the contrary, the increase in income could not match the housing price. This condition makes an imbalanced situation for the real estate industry, as the price is adjusted and controlled by real estate developers (Rahadi, *et al.*, 2015). Real estate developers have many advantages to selling a house or developing a project. Providing their many facilities can attract many customers to purchasing a house. The higher amounts of price consumers are willing to pay for a house can be expressed as a benefit to the projects (Delgado & Troyer, 2017).

Physical Attributes

The consumer's physical attributes are easy to notice when looking for a house or property (Rahadi, *et al.*, 2015). The physical form of a building becomes a visible factor and attracts consumers to buy a house. The form of buildings that have security and sustainability is also a consideration for buyers. When consumers buy a house, they will think about how their family can live comfortably. When deciding a vertical house like an apartment or condominium, the higher floor level provides more luxuries like less noise, much fresher air condition, and magnificent scenery from the upside (Hanif, *et al.*, 2015).

Facilities

Facilities are a supporting factor in deciding a house. Some people sometimes choose to be close to religious facilities such as mosques and churches. They choose to be close to religious facilities to worship comfortably and have the right environment. Educational facilities also play a significant role in the choice of housing. Many people are attracted because of the close distance between home and school. Environmental ambiances, traffic safety, and environmental safety are the facilities looked at by consumers in determining a house (Rahmadaniyati, *et al.*, 2016). In a vertical house, the availability of the number of parking lots becomes essential. Parking space also influences consumers in determining the type of house they want to purchase. A study found a high correlation between the numbers of people living inside a house with the total amount of cars parked in the household (Olanrewaju & Woon, 2017).

Design and Aesthetic Aspects

Designing the building exterior more beautifully and responsible can increase the energy efficiency of the building and make the building more sustainable toward the environment (Rahadi *et al.*, 2015). Attractive housing designs will be adding value, and space placement will be well conceptualized and make the house more comfortable. Material selection will have a significant effect on the durability of the house. The importance of materials maintenance used for façade and exterior stated by some consumers as some of them would worry the tropical weather could reduce the quality of the material used for the housing façade (Moghimi & Jusan, 2015).

Developer Reputation

Decisions made by the consumer includes the benefit of the product, the prestige of brand name (housing), the selection of the seller (developer name), the pride in using the product, the timing and amount of the transaction process (Wulandari *et al.*, 2016). The developer's reputation can be a reference in choosing a house. With big-name developers we will be able to see how projects have been built before. Big-name developers can be of added value because people already trust the projects they are building. It often happens when a real estate developer will develop the land; the value around the location will increase significantly. The property developer's influence is impactful, and they often make commercials on television with discounts on certain days. It is prevalent for property developers in Indonesia to state the branded material and products used in the advertising to attract more consumers and boost housing products (Rahadi *et al.*, 2015).

Land Ownership

As a valid proof of land ownership, a person must have a house ownership document. According to Indonesian Government Regulation, homeownership documents are divided into two documents, *Sertifikat Hak Milik* (SHM) and *Sertifikat Hak Guna Bangunan* (SHGB).

1. Sertifikat Hak Milik (SHM)

Sertifikat Hak Milik (SHM) can only be owned by Indonesian Citizens. This certificate is the strongest and fullest right on land which one can hold, and only applicable in the landed house (*Law No. 5 of 1960 on Basic Agrarian Principles*).

2. Sertifikat Hak Guna Bangunan (SHGB)

According to (*Law No. 5 of 1960*) SHGB is a right to build and own buildings on land which is not one's own for at most 30 years and can be extended upon request of the right until 20 years.

Service Charge

Unlike other properties, vertical housing needs to be managed and maintained by one management to ensure everything goes as it should. Nevertheless, collecting the management fund is not a small matter that impacts the property's value enormously. A residential high-rise unit is different from other residential property types concerning its management responsibilities. (Tawil, et al 2017). Therefore, a management body is needed to manage the building and public areas (common property) such as parking lots, lighting, and other common facilities in the building (Tawil et al 2017). Some landed houses start to realize how important management is in regulating the housing environment, such as managing garbage disposal, road electricity, and security. All of these aspects need costs, and the owner must be paid for.

Discussion and Conclusion

According to the analysis based on literature synthesis, we could summarize nine factors: price, ownership, location, accessibility, physical attributes, facilities, design and aesthetic aspects, developer reputation, and service charge are used to measure housing preferences. Therefore, some models could be used in future research eight factors (Y. Mulyano et al 2020) and service charge factor (Tawil, et al 2017), as constructed in conceptual model Figure 1.



Figure 1: Conceptual Model for Millennials Housing Preferences
 Source: (Authors' Analysis)

Future Research

Some future research may use this conceptual model and apply it to other cities. It can also elaborate on the development options for the housing sector for millennials. Various development options will bring the best results for millennials and reduce the city's backlog. Future research can also adjust housing preferences and pricing models to find the best price for the property. The research can also determine the preferred payment method for millennials when purchasing properties. This result will be valuable for all stakeholders to formulate policies for millennials to own property in Surabaya.

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