HOUSING PREFERENCE FOR FIRST TIME HOME BUYER IN MALAYSIA

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Abstract

The problem of house ownership of first time homebuyer is critical since they are constrained by the affordability as well as selecting the appropriate choice for them to suit their needs. Data from property market report shows that most of the housing transaction that keep dropping is from housing price between RM100,000 and RM250,000. Wherein the market target for this range of housing price is for individual or household that been categorized under first time home buyer. Thus this study evaluates the preferences of first time homebuyers in buying houses to live in. A total of 850 questionnaires were distributed and 650 were returned and only 351 are from first time homebuyer, which was further analysed. The questionnaires were distributed to three major cities in Malaysia, which are Kuala Lumpur, Penang and Johor Bahru. In modelling the preferences using the Structural Equation Model (SEM) shows those same factors appears to be the preference of first time homebuyers. This finding has very important implication to the government or other agencies as they can plan in constructing the right house for first time homebuyers.

Keywords: *First Time Home Buyer, Housing, Housing Preference, Malaysia*

1.0   INTRODUCTION

Nowadays housing is more important as basic facility rather than to be as an investment. As a shelter, housing must be accommodating with a comfort and harmonious place to a family. Malaysian as a developing country also have involve with many new development especially in residual sector. There are many new design and strategic location for this new development. However to choose a house is not an easy thing. This is because it does involve a big commitment. Other than that housing also involve the highest cost in household expenditure (Assaf *et al.,* 2010). Therefore, home buyers need to make a good choice to buy a house. Especially for first time home buyer as they did not have any experience in buying a house before.

In Malaysia, even though there are many of new residual development but the percentage of homeownership still did not shows any

significant improvement. This shows that there is constrain for home buyer to buy a house.
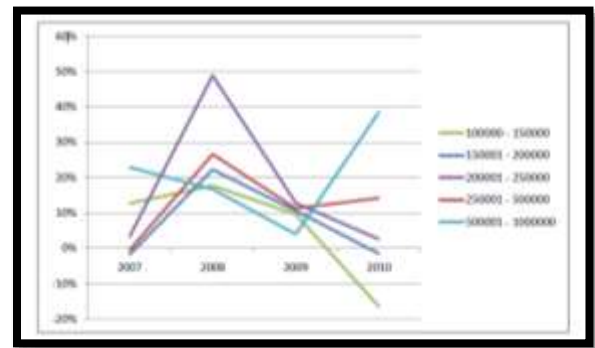

Figure 1: Difference of the percentage for the transaction of residential property

According to Figure 1, until 2010 housing price range between RM100,000 and RM150,000 have decrease about 10% to 20%. This situation same goes to housing price range between RM150,001 to RM250,000. As can see, figure shows that housing price below than

RM250,000 have shown a decreasing. Based on Real Estate and Housing Developer Association (REHDA), usually housing price below than RM250,000 was aim to first time home buyer as they was a group that need help to have their own house. However, the ownership for this group see too low. Why this happen?

In order to understand about the eagerness of first time home buyer for their future home, this paper will elaborate more about housing preference for first time home buyer. So the objective of this paper is to analyse the housing preference for first time home buyer.

2.0   FIRST TIME HOME BUYER

First time home buyer can be defined as an individual who did not own any house and have intention to buy a house. Basically first time home buyer was a young generation who going to start their life such as new graduate. According to Housing Education and Research Association (HERA) (2006), the decision to buy a house will be made when the household is increase. Other that individual who is getting married also will consider buying a house. Housing Education and Research Association (HERA) (2006), also adds that single household were preferable to rented rather than married couple or family.

Based on the researched by Duffy and Quail, (2005), first time home buyer is defined by age between 24 to 34 years old. This is similar to the researched done by Glenworth Mortgage Insurance. According to the organisation, first time home buyer is an individual age between 25 and 31 years old Fierro *et al*. (2009).

In Malaysia, first time home buyer can be defined based on requirement mention by government for First Home Scheme. According to the requirement, first time home buyer must be age between 24 and 34 years old. However, Kuala Lumpur City Plan 2020 (2008) has defined first time home buyer is an individual in the range of age between 20 and 40 years old. Usually this group have a small household or single. Other than that, this group also represent those who from a professional that just started their first job. Most of them also were unstable in term of financial resource.

Hence, first time home buyer can be categorized as individual who is young generation have an age between 24 and 34 years old. This group represent individual who just started their job and did not owned any house yet. Because of buying a house will involve a lot of procedure and financial source, so a lot of think need to be taken into consideration to make this important decision. Especially for first time home buyer who mention before which is individual who just started their working life.

3.0   FACTORS CONTRIBUTE TO HOUSING PREFERENCE FOR HOME BUYER

Housing preference is important to make decision in buying a house especially for first home. Even though housing was a basic need but it involved lot of procedure and financial resource. Housing preference involve several of factor. This factor will influence in decision making to buy a house. The decision making is different for each individual. According to Costello (2009), there is probability that young generation who have small household will consider buying a small house that located near to his work place and vice versa. Other than that, income will probably influence the decision making. The probability for those who have higher income will choose to buy an expensive house rather than those who have middle and lower income.

Housing Education and Research Association (HERA, 2006) have suggested a framework involving the effects on housing preference. This framework was focused on the effect to the lifestyle. Other than the lifestyle, housing norm was shown to give effect to the housing preference as shown in Figure 2.

Based on the framework, there are three main factors that affected housing preference which is type of household, social class and the value for housing. According to Granbois (1971), the larger size of household, they will prefer the bigger house. He also mentions that the lower the income or social class, the higher will be the cost of that need to be consider. This is because housing is the product that involves a lot of money.
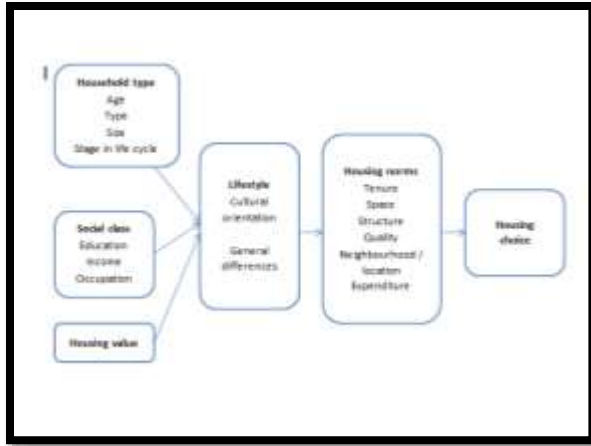
Figure 2: Conceptual framework for influences on housing choice

However, it was differing from the researched done in Northern Mexico. Where in these researched, there has about 12 characteristic have been taken into consideration in buying a house Fierro *et al*. (2009). The characteristic was include location, floor size, number of bedroom, number of bathroom, number of parking, number of floor, gated and guarded, security, green area, distance to school, distance to commercial area and accessibility,

While according to Esinga and Hoekstra (2005), the most important in housing preference is the number of bedroom, type of house, age, income, total of household and expenditure. However the most important in buying a house is the satisfaction of owning a house. Hence, the physical and neighborhood factor is important to create harmonies (Levi and Lee, 2004).

According to Andersen (2011), there have a few characteristics to ensure that the chosen surrounding and neighbourhood is suitable to be occupied. These characteristic is divided to four which are:-

a) Physical Environment

These include physical characteristic and external condition of the building, entrance, physical disturbance such as sound and contamination and maintenance standard. Other than that distance to green area should be considered.

b) Social Environment

These include status, safety, social network and lifestyle of the chosen area.

c) Location and Public Facilities

The most important in making decision for home is the availability of facilities such as shop and restaurant. Other than that are institution, sport area, playground, place that can be used to socialize and can be symbolized culture also need to be taken into consideration.

d) Location and Transportation

Location and transportation is defined here as accessibility to the chosen house or from the chosen house. These include distance to workplace, distance to nearest town, distance to relatives' house and shopping complex.

Other than factors mentioned, there is several factors have been identified. In Northern Mexico, there a researched have identified forth teen characteristic of the housing preference. This include location, floor area, number of bathroom, number of bedroom, number of parking, green area, furnishes, gated and guarded, distance to school, distance to commercial area and accessibility factor. However, structure characteristic is look more important rather than location. This is different with the single buyer where they more consider into the number of bedroom and floor area.

Due to many factors that influence the decision of home buyer to buy a house, Lee (1992), has come out with a one theory. The theory is about how to make decision for the family who have intention to buy a house as in Figure 3.

Finally, from the literature all the factors that contribute to the housing preference among first time home buyer have been identified. This research has come out with one concept as in Figure 4.

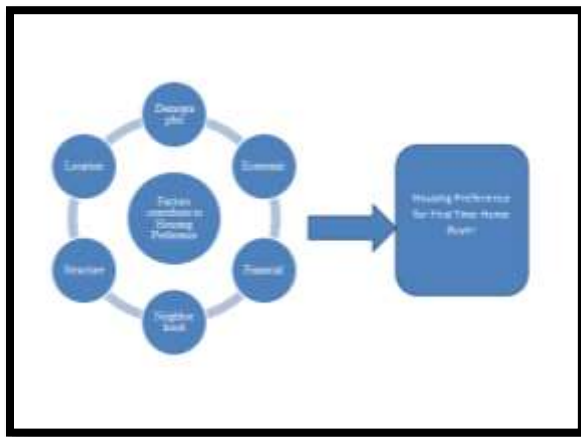Figure 3: Housing decision making theory for home buyer

Figure 4. Concept of housing preference for first time home buyer

4.0 METHODOLOGY OF RESEARCH

About 800 questionnaires have been distributed around Klang Valley, Johor Bharu and Penang. However, only 650 was return and on 351 respondents is identify as first time home buyer. Limitation of the research was based on three chosen state in Malaysia which is Johor Bahru, Penang and Kuala Lumpur. These three states have become as focal point in Malaysia and have attracted many of young generation because of the job opportunity offer.

Once the entire questionnaire being collected, the data being analyze used partial lease square (PLS) analysis. This analysis have

being used because of the precision of the PLS concept which is the data that cannot be see but have relationship between each factors (Bagozi and Philips, 1982).

The purpose of using PLS is to develop the structural equation model (SEM) of housing preference for first time home buyer in Malaysia. SEM enables simultaneous modelling of the relationship between independent and dependent variables being constructed (Cassel *et al*., 1999). According to Hulland (1999), the indicators in the developing modelling can be either positive, negative or correlated (zero).

This analysis also allows researchers to build unobservable variables measured using indicators. According to Bagozi and Philips (1982), SEM can be understood through three different concepts which are:-

Table 1: Structural Equation Model (SEM) Concept

Theory concept	Abstract, attributes or characteristics of a social entity unit invisible
Empirical concept	Refer to property or relationship in which the presence or absence in certain circumstances may be between subjects predetermined, in certain circumstances through constant observation.
Concept derived	Invisible (like the theory concept) but should be tied directly to the empirical concept

As this researched involves data that cannot be observed as well as a great diversity, SEM has being choose to analyse the data gather. In the end, a model of housing preference for first time home buyer being develops.

5.0 HOUSING PREFERENCE FOR FIRST TIME HOME BUYER IN MALAYSIA

The composite reliability for the variance shows that all the factors are reliable accepts for demographic factor. According to Chin (1998), the reliable variance must be at least 0.70.

Table 2: Constructed Reliability in the Model

Construct	No. of item	Reliability
Demographic	3	0.181897
Financial	4	0.877986
Location	4	0.825378
Structure	5	0.841346
Neighbourhood	6	0.716822
economic	2	0.938242

In order to evaluate the discriminant validity, the average of variance is extracted for each variance (Fornell and Bookstein, 1982) Other than that, the relationship between the factors should be lower than square roots of the average variance extracted. The value of the average variance extracted (AVE) must be more than 0.5 to shows the discriminant validity (Bagozi and Philips, 1982; Fornell and Bookstein, 1982).

Based on the Table 3, there is only demographic and financial factors that show the average value of the variance lower than 0.50. This explain that the other factors such as economic, location, neighbourhood and structure is more important in order to determine the housing preference for first time home buyer.

Table 3: The Average Variance Extracted (AVE)

Factors	AVE
Demographic	0.291042
Economic	0.883678
Financial	0.382761
Location	0.646766
Neighborhood	0.556278
Structure	0.531786

After analyzing the measurement model, the next step in the analysis of PLS is to build a structure model using inner model. Prior examination of the weighting between variables was performed to identify the importance of using T-statistic.

Table 4: Path Coefficients (β) and Significance for the structural model

Predictor construct	Predicted construct	*Path Coefficients (β)*
Demo -> housing ownership		0.574709
Economy -> housing ownership		10.537025**
Financial -> ownership		2.151465*
Location -> housing ownership		0.402246
Neighbourhood-> housing ownersip		2.104399*
Structure -> housing ownership		1.880133

Table 4 shows the relationships between the factors of housing preference and housing ownership. Based on the *t* value, shows that only economic, financial and neighbourhood have a relationship with housing ownership. Both factors have shown a significant *t* value which is *t*>1.96* (*p*<0.05); *t*>2.58** (*p*<0.01).

6.0 CONCLUSION

Finally, this paper has effectively elaborated the housing preference for first time home buyer. According to the data analysis, result shows that in Malaysia, first time home buyer are preferable the economic, neighbourhood, structure and location factors in order to make a decision to buy a new house.

In the future research, every each factor that contributes to the housing preference can be elaborate and analyses more deeply. Other than that the total respondents can be expands to other countries so that the housing preference between in urban and sub urban can be differentiate.

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