

A STUDY OF CONSUMER BEHAVIOR IN REAL ESTATE SECTOR

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ABSTRACT

Indian real estate has been a mixed bag of growth and decline in residential constructional zone. The population growth and migration from rural to urban areas has considerably changed the outlook of realty in urban and its adjoining areas. The objective of the study is to evaluate the impact of branding in real estate on customer decision making process. In this study, a non-probability type of sampling technique has been used. Keeping in mind the aims, objectives and the fact that all the respondents for the study were educated, structured questionnaire is used for data collection. The questionnaire consisted various aspects like open ended, close ended, multiple choice etc. The study concluded that consumer have become very much decision maker they took into consideration so many aspects like the brand of the developer, price of the property, location of the property, future expectations of the property. Income level of the buyer plays an important role in buying decision.

Keywords: Real Estate, Investment, Expectations, Location, Brand

INTRODUCTION

The term real estate comes from the Spanish word real, which means royal. So real estate literally translates into royal estate. This is because during Agrarian Age, there really were two classes of people, royalty and peasants. The royals owned the land and the peasants lived on and worked the land. There are five types of Real Estate, namely Residential (housing), Commercial (offices, shops, theatres, hotels, car parks), Industrial (warehouses, factories, power plants) Agricultural (farms, orchards, etc.) and Special purpose (hospitals, schools, etc.)

Real estate includes:

- Residential new houses and existing houses for resale,
- Commercial shopping centers and offices,
- Industrial and manufacturing buildings and property,
- Vacant land and farms.

Real Estate covers private lodging, business workplaces, and retail outlets, exchanging spaces, for example, theaters, inns and eateries, mechanical structures, for example, manufacturing plants and government structures. It includes the buy, deal, and advancement of land and also private and non-private structures. The exercises of the land division envelop the lodging and development segments moreover.

The Real Estate in India are the home designers, estate manufacturers, Apartment engineers, township engineers who are assuming a noteworthy job in building nation's framework. Under the genuine endeavors of these land designers, urban communities in India have seen a fast development in the development of private and business ventures. It is because of the inventive endeavors and exquisite developments of these land manufacturers, Major urban areas in India have seen excellent facelift. Regardless of whether it is a private property or business property the Indian land firms are dependably up with new imaginative thoughts and plans, which can grab the eye of financial specialists over the globe.

Indian cities are normally categorised into three tiers:

Tier I comprises the Delhi, Mumbai and Bangalore.

Tier II consists of Hyderabad, Pune and Chennai, the cities targeted by companies as alternative off shoring destinations and which now possess a well-trained pool of skilled labour. According to a Research the cost advantage of Tier II cities over those in Tier I is estimated at 15% to 20%.

Tier III cities: But given the rising costs in Tier II cities in recent years, companies are increasingly eyeing **Tier III cities**. These are cities with populations of more than a million (10 lakhs) are not yet completely established as outsourcing and off shoring destinations. Their

absolute cost advantage over Tier I cities is estimated at between 15% and 30% by the same DB Research.

As real estate construction and values have expanded in India — buoyed by healthy economic growth, and coupled with a series of IPOs by property firms — so in recent years has India's property sector changed substantially. These trends of growth and modernisation are set to continue, with some market participants forecasting that *real estate development in India will grow from US\$12 billion in 2017 to US\$90 billion by 2020.*

In addition, international capital has become more interested in Indian property and is seeking transparent and liquid ways to invest. Furthermore, with a more global property market, the level of competition in the Indian property business is rising, while the need for property firms to strengthen their operational infrastructures, personnel and finances to better compete is also becoming more acute.

India's GDP growth rate has averaged more than 8% over last few years, up from an average of around 6% during the 1990s and has touched the 9% last fiscal. India emerged as a land of opportunities.

The principle drivers of India's GDP are changing demographics, rising levels of foreign investment, a vibrant services sector powered by the IT and ITES sectors and buoyant exports. Notwithstanding concerns over lack of structural reform, these factors are likely to be sustained in the foreseeable future, resulting in continued strong GDP growth.

This economic growth has, in turn, stimulated demand for property to help meet the needs of business, such as modern offices, warehouses, hotels and retail shopping centres. It has also boosted housing demand as a wealthier populace seeks upgraded accommodation. Moreover, shrinking household size and improved access to housing finance have boosted the demand for residential property. Tax incentives have also been granted to interest and principal paid on home loans, which has made owner-occupied property more attractive.

Future Prospect of the Industry

Last decade for Indian real estate has been a mixed bag of growth and decline in residential constructional zone. CRISIL research applicably remarks the phases of growth starting from 2001 and momentous till mid of the decade. Urbanization and

commercialization in suburban regions has been significant for the spree of growth that Indian realty has witnessed during this fiscal period.

The population growth and migration from rural to urban areas has considerably changed the outlook of realty in urban and its adjoining areas. Examining the prowl of growth in last decade denotes changing family structure to be an important reason for growth in residential realty. Nuclear families rose in numbers during this phase and the culture of independent housing and apartments picked up. This was aided with hyper industrial expansion and opening of FDI routes to Indian economy during 2005-2006. Later phase of growth in realty was sustained by growing disposable incomes of salaried professionals and encouraging participation of banking and Non-Banking Financial Company sector.

The current state of growth in Indian residential realty sector is consolidated upon trends of growth and stagnation working simultaneously against each other. Owing to more sources of financial inputs bonded with schemes, discounts and incentives, realty sector has been deep rooting in outskirts of metro cities. The infrastructural investment initiatives from governments, connectivity through road/rail and commercialization has worked healthily for realty in past five to six years. Whereas, sluggish economic growth, rising inflation and over supply of dwellings at certain locations have been harsh for sentiments in construction business.

Looking forward, Indian realty is expected to bank upon the growth in tier two and three cities for novel investment options. Growing commercial activity along outskirts of urban regions due to outgrown population and skyrocketing prices have led to growth of tier two cities. Another push to growing demand of housing has come from expanding service sector in these new business districts. Tier two cities like Jaipur, Ahmedabad and Rohtak are expected to maintain the trend of growth as there has been initiatives to connect with urban centers through metro links and expressways. The buyer's confidence has strengthened in last few years owing to improving economic health and increasing FDIs in construction. These regions have seen a

steady growth in demand of affordable housing and consequently more residencies are being constructed. Absorption levels in residential realty for these areas have been satisfactory so far. With growth in numbers of affordable housings, the price grade has been rationalizing and reaching towards a down slide. Majority of projects in tier two cities are targeting the low/mid-end level buyers for both rentals and leasing.

Developers are increasingly moving towards cities like Coimbatore, Chandigarh and Trissur in search of monetization for their investments. These smaller cities, prominently features on developer's map to build affordable housing which are in demand here. As a result, tier one and two cities are expected to decisively determine the future of realty sector and its growth in coming decade.

COMPANY PROFILE

K.V. PRATEEK ENTERPRISES

At K.V Prateek, we have a passion for creating stunning spaces that transform the way people live and work. We bring innovation and unique ideas in every small or big assignment that we undertake. We believe in challenging convention in whatever we do. We are proud of our wide experience and our solid expertise in the real estate sector. We provide various services, including real estate project management, strategic planning, master planning and architecture and interior design. We have completed about 150 projects that include residential property development, turn-key development, I.T Park, hotels, resorts and farm houses. Our team can offer solutions to the most challenging problems and manage any kind of project.

The multiplicity and diversity of our organization is motivated by a variety of influences, expertise and knowledge that we have gained in a variety of sectors. With real estate development being our prime focus area, we have diversified into various fields. K.V. Prateek has emerged as an umbrella organisation for providing solutions in areas ranging from constructions to the education. In our endeavor to establish a paradigm of sorts, we are working to integrate service deliveries, so that they can be supplemented and / or complemented across verticals, if required.

DLF Ltd

Headed by: DrKushal Pal Singh, Chairman

With a track record of 64 years, DLF is India's largest real estate company in terms of revenues, earnings, market capitalization and developable area. It currently has pan India presence across 30 cities with approximately 238 million sqft of completed development and 413 million sqft of planned projects, of which 56 million sqft of projects are under construction during FY10.

Project Spectrum: Residential, townships, commercial complexes, IT Parks, hotels, multiplexes, etc.

Quick fact: Only listed real estate Company included in the BSE Sensex, NSE Nifty, MSCI India Index and MSCI Emerging Markets Asia Index.

Latest: Will take its luxury mall DLF Emporio (already operational in New Delhi) to other big cities such as Hyderabad and Chennai.

OMAXE LTD

Headed by: RohtasGoel, CMD

Over the past 22 years, Omaxe has established itself through diverse range of residential and commercial projects. The company at present has 53 projects under execution and planning. Omaxe Ltd was the first Construction Company of northern India to receive an ISO 9001:2000 Certification.

Project Spectrum: Integrated townships, Group housing, SEZs, Shopping malls & commercial complexes and hotels.

Latest: Has entered into infrastructure sector through Omaxe Infrastructure & Construction Ltd (OICL), a wholly owned subsidiary. OICL has bagged the first contract to construct Highway and three high level bridges in Punjab. The contract is awarded by Greater Mohali Area Development Authority and its value is pegged at Rs704 million

UNITECH

Headed by: Ramesh Chandra, Executive Chairman

Established in 1972, Unitech is today India's leading real estate developer in India. It is the first developer to have been certified ISO 9001:2000 in North India.

Project Spectrum: Unitech offers diversified projects across residential, commercial/IT parks, retail, hotels, amusement parks and SEZs segments. Unitech was the first real estate company to be part of the National Stock Exchange's NIFTY 50 Index. The company has over 600,000 shareholders. Unitech and Norway based Telenor Group came together to build Uninor - a telecommunication services company providing GSM services across India.

Latest: Has ventured into the infrastructure business by launching Unitech Infra.

LITERATURE REVIEW

James A. Graaskamp, (2014) "Fundamentals of Real Estate Development", *Journal of Property Valuation and Investment* , Vol. 10 Iss: 3, pp.619 – 639 Notes the real estate development process involves three major groups – a consumer group, a production group and a public infrastructure group. Comments that a major limitation shared by all groups is that each has a cash cycle enterprise which must remain solvent to survive. Concludes that the best risk management device for the producer group is through research so that the development product fits as closely as possible the needs of the tenant or purchaser, the values of the politically active collective consumers and the land use or the ethic of the society.

K. Saratbhai, (2015) Future Directions in Real Estate Research, *Journal of Property Valuation and Investment*, Vol. 11 Iss: 4, pp.327 – 337 Addresses how real estate has performed as an investment, the efficiency of real estate markets, valuation issues, the pricing of contract contingencies, prices and price setting and the agency business. Concludes that the list of research questions is growing and there is a high level of both public and private sector interest in the answers that can be provided

W. Bhatt, (2013) "A different look on risks by property investments", "Journal of Indian Real Estate Research", Vol. 1 Iss: 2, pp.151 – 161This paper aims to focus on three points of the theory about property investment risks: the management risk is not taken into account; the assumed regularity of the damping of the specific risks with an increase in the number of investments; and the assumption that the market risk is constant. There are three risk component within the risk profile instead of the named two, namely: specific risk, depends on special individual factors of the investments; management risk, reflects the span of control problem of the organization of the investor; and systematic risk, depends on distinguishing local levels. The calculations do show the effect of diversification, but not in all cases. It depends on the order in which assets associated with different risks are added. Moreover, management and systematic risk work cumulative and opposed to the diversifying power of the specific risk because both increase with increasing portfolio size.

G.S. Sharma, (2013) "Risk and return in European property markets: an empirical investigation", "Journal of European Real Estate Research", Vol. 1 Iss: 3, pp.235 – 253The purpose of this paper is to explore capital gains, income, and total returns in various property markets in India. In a comparative study the nature of returns for different commercial and residential properties is investigated. Hereby, total returns, income returns, and capital growth are distinguished. The paper further presents an analysis of the risk-return relationship of the different markets and investigates the interactions between property markets, other local financial markets, and macroeconomic variables. Focusing on the risk-return relationship of the different asset classes and countries, the Sharpe ratio is used as a risk-adjusted performance measure to investigate the European markets.

OBJECTIVES OF THE STUDY

The present study is based on the following objectives:

1. To present an overview of the Real Estate Industry.
2. To evaluate the impact of branding in real estate on customer decision making process.
3. To understand the reason behind investment in real estate sector.

RESEARCH METHODOLOGY

In this study, a **non probability** type of sampling technique has been used.

Convenience sampling is a non probability type of sampling technique and this technique has been used in this study. In this sampling, the sample is drawn from that part of population which is close to the hand of researcher according to his/her convenience.

The Sample:

- **Sample Area:** Delhi
- **Sampling method:** Convenient sampling
- **Sample Size:** 100 respondents
- **Research Instrument :** Structured Questionnaire

SOURCES OF DATA COLLECTION:

Keeping in mind the aims, objectives and the fact that all the respondents for the study were educated, **structuredquestionnaire** is used for data collection. The questionnaire consisted various aspects like open ended, close ended, multiple choice etc.,

Types of Data:

- **Primary Data:**

The primary data is collected from the consumers. For this purpose direct personal interview and a structured questionnaire was prepared.

- **Secondary Data:**

The secondary data and the extensive literature on selection procedure were collected from journals, articles, magazines and various websites. Information was also collected from company records, company data base, brochures and catalogues.

STATISTICAL TOOL:

For the representation of analysis of data, graphs and charts are used.

ANALYTICAL OVERVIEW

1. Residential real estate brand consumers are aware of

Table No 1

DLF	Omaxe	Unitech	K.V. Prateek
85	25	44	21

Source: Primary Data

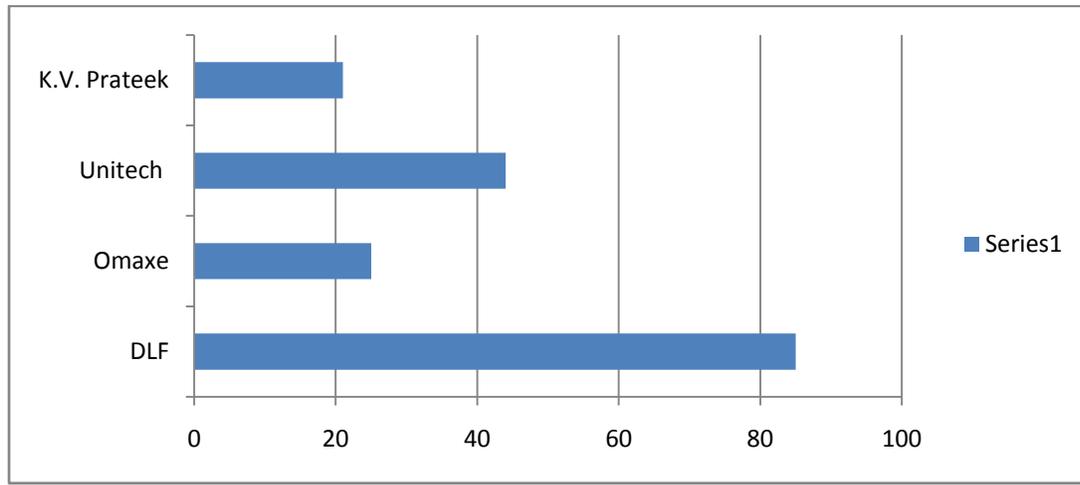


Figure 1

Interpretation: DLF was found to be the most popular as 85 respondents were aware of it. 25 respondents were aware of Omaxe., 44 respondents were aware of Unitech., 46 respondents were aware of Ansal API, 35 respondents were aware of Parsvnath Developers, 49 respondents were aware of Godrej Properties.

2. Factors that encourage respondents to make investment

Table No 2

Increase in your income	Lowering of prices by builders	Reduction in home loan interest rates	Reduction in property registration rates, stamp duty	Great investment opportunities in your city and nearby places	Other reason
14	24	9	4	31	9

Source: Primary Data

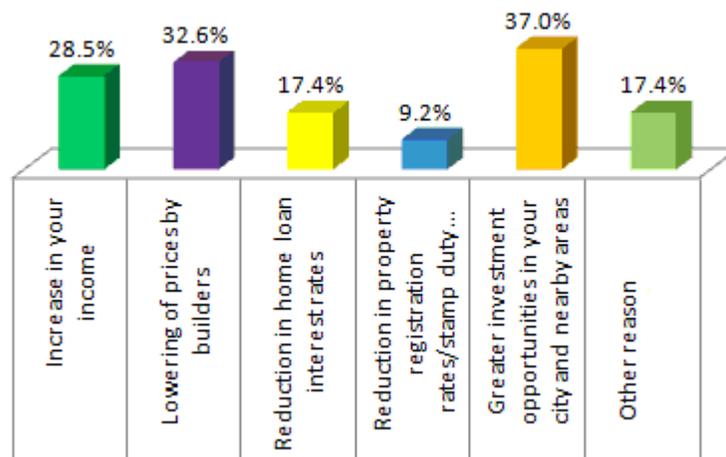


Figure 2

Interpretation

- 28.5% wish to invest in real estate in 2013 due to an increase in their income
- 32.6% are attracted by lowering of prices by builders

- 17.4% are interested to invest because of reduction in home loan interest rates and factors like owing a house for self, making an investment, real estate being the safest investment in the current times, invest money which came from sale of other property.
- 9.2% are attracted by reduction in property registration rates/stamp duty charge
- 37% are attracted by greater investment opportunities.

3. Purpose of your investment

Table No 3

Investment	Self-use	To rent it out
53	13	35

Source: Primary Data

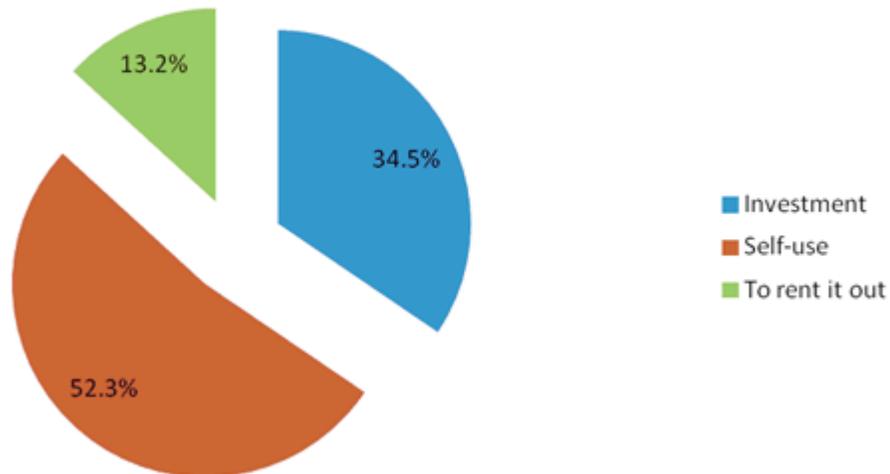


Figure 3

Interpretation

- 13.2% want to invest it for renting purposes
- 34.5 % want to invest for investment purposes
- 52.3% want to invest for self-use

4. Budget for investing in real estate ?

Table No 4

UptoRs 20 lakh	Rs 20 lakh – 40 lakh	Rs 60 lakh- 80	Rs 80 lakh -1 crore	Rs 1 crore – 5 crore	Above 5 crore
25	43	18	8	8	1

Source: Primary Data

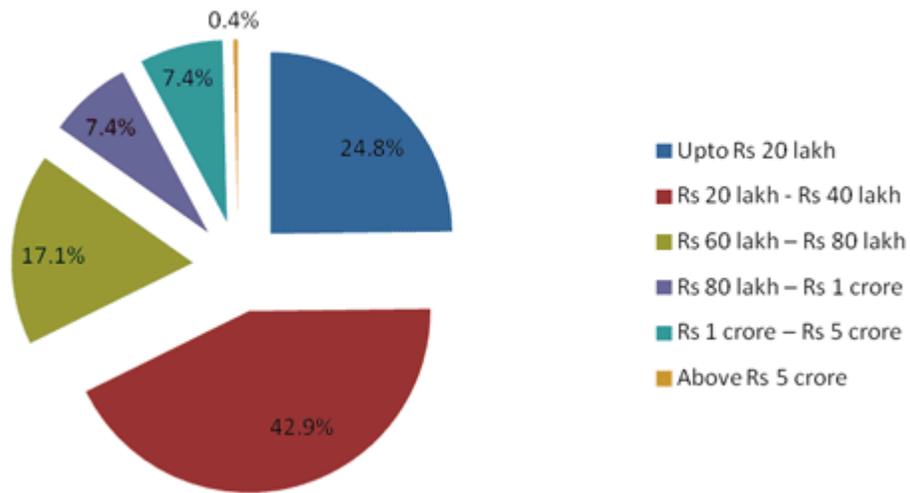


Figure 4

Interpretation

- 24.8% have a budget of up to UptoRs 20 lakh
- 42.9% have a budget of Rs 20 lakhs- 40 lakhs
- 17.1% have a budget ofRs 60 lakh - Rs 80 lakh
- 7.4% have a budget of Rs 80 lakh - Rs 1 crore
- 7.4% have a budget of Rs 1 crore - Rs 5 crore
- 0.4% has a budget of Above Rs 5 crore

5. City favourable to invest in by Respondents

Table No 5

Delhi/NCR	Mumbai	Hyderabad	Bangalore	Chennai	Ahmedabad	Kolkata	Pune
20	20	9	16	10	4	6	15

Source: Primary Data

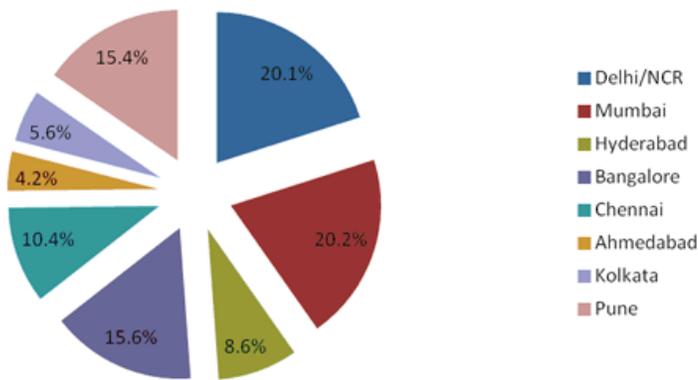


Figure 5

Interpretation

- 20.1% of the respondents would like to invest in Delhi/NCR
- 20.2% of the respondents would like to invest in Mumbai
- 8.6% of the respondents would like to invest in Hyderabad
- 15.6% of the respondents would like to invest in Bangalore
- 10.4% of the respondents would like to invest in Chennai
- 4.2% of the respondents would like to invest in Ahmedabad
- 5.6% of the respondents would like to invest in Kolkata
- 15.4% of the respondents would like to invest in Pune

6. Views of Respondents for Indian real estate

Table No 6

Positive view - more projects will be launched , economic growth will pick up, and interest rates may stabilize	Negative view – economic growth may slow down, and interest rates may rise further	Can't say
55	26	19

Source: Primary Data

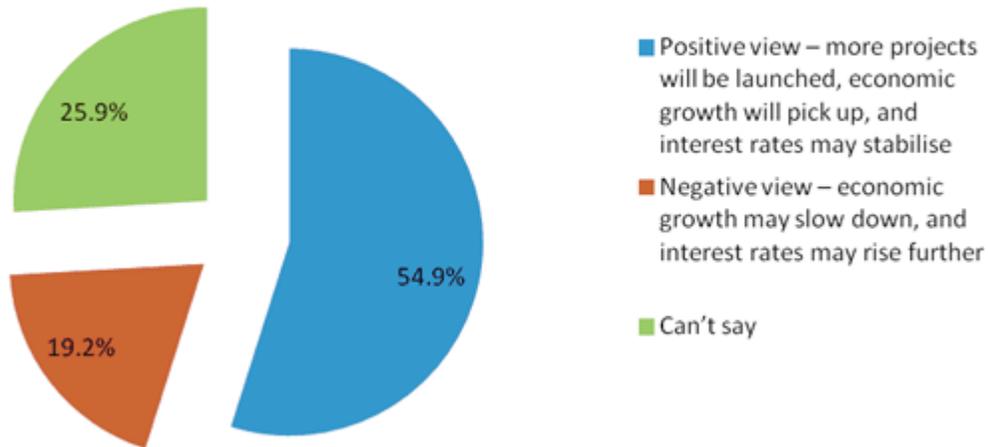


Figure 6

Interpretation

- 25.9% of respondents are undecided about their view for Indian real estate in 2013
- 54.9% have positive view
- 19.2% have a negative view

7. Respondents views on residential price increase or decrease

Table No. 7

Remain stable	Increase by up to 10 %	Increase more than 10 %	See a depreciation of up to 10 %
26	30	18	26

Source: Primary Data

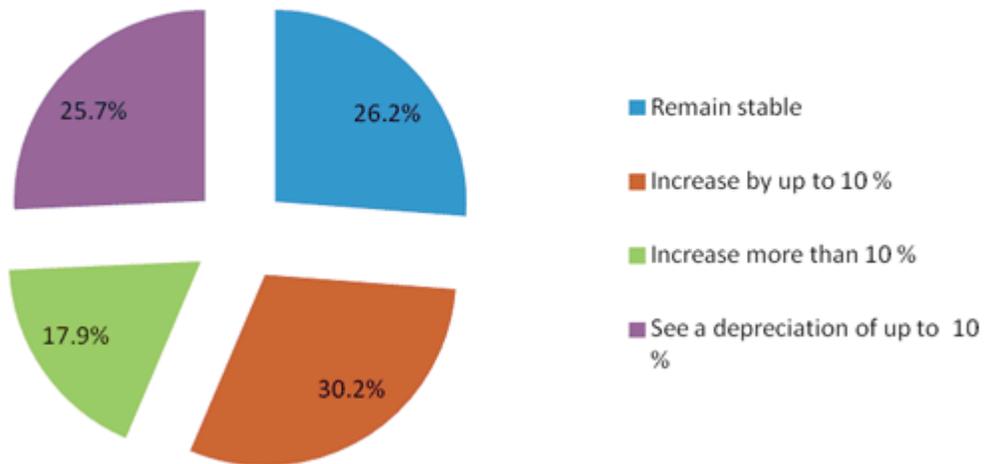


Figure 7

Interpretation

- 26.2% of the respondents believe that the price would remain stable
- 30.2% of the respondents believe price by upto 10%
- 17.9% feel that the property prices would increase by more than 10 %
- 25.7% have a view that the price would depreciate by up to 10%

CONCLUSION OF THE STUDY

Now a days, consumer have become very much decision maker they took into consideration so many aspects like the brand of the developer, price of the property, location of the property, future expectations of the property etc. To meet all these expectations of the customers company must take care of each and every factor. Apart from this there are other things also which plays an important role in taking these decisions like the income level of the buyer, economic condition of the country etc.

Income level of the buyer plays an important role in taking the decision because it is a long term decision so people become very much cautious before taking such decision and in most of the cases they feel safe by taking the properties built by the branded and big developers.

Major problem which the developers are facing now a days is the economic slow down. Due to economic slow down there are lack of customers in the market and this leads to the reduction in price of the property. Because of this reason it even becomes very difficult for the small developers to even complete their projects and consequently buyers feel doubtful about the possession of the property they had purchase or willing to purchase. Thats why they wants to deal with major brand developers instead of smaller brand developers to safeguard their capital.

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