

**FACTORS INFLUENCING HOUSING
PURCHASE DECISIONS IN TANGERANG
CITY, INDONESIA DURING THE COVID-19
PERIOD**

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**ASIA e UNIVERSITY
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FACTORS INFLUENCING HOUSING PURCHASE DECISIONS IN
TANGERANG CITY, INDONESIA DURING THE COVID-19 PERIOD

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ABSTRACT

This research investigates the intricate dynamics of house purchase decisions in Tangerang City, Banten, Indonesia, with a specific emphasis on the unprecedented challenges posed by the COVID-19 pandemic. Utilizing R-Square (R²) and Predictive Relevance (Q²) analyses, the study aims to comprehensively assess the influence of independent variables on dependent variables, shedding light on the determinants and implications of purchasing decisions during these extraordinary times. The R-Square analysis, facilitated by SmartPLS, discloses that collectively, Ownership Determinants (X₁), Service Excellence (X₂), and Change in Purchase Intention (X₃) account for 12.9% of the variability in Purchase Decisions (Y). The noteworthy finding emphasizes the need for a holistic understanding of factors influencing home purchasing, as the remaining 87.1% is attributed to unexplored constructs. The Predictive Relevance Value Test (Q²) fortifies the model's robustness, with a Q² value of 0.051 for the Purchase Decision construct, affirming the predictive validity of exogenous variables in anticipating observed values. Hypothesis testing is executed to scrutinize the relationships between variables. The results affirm that Ownership Determinants significantly enhance both Purchase Decisions and Purchase Intentions. Conversely, Service Excellence demonstrates a noteworthy positive impact on Purchase Intentions but exhibits a statistically insignificant negative impact on Purchase Decisions. These empirical findings underscore the pivotal role of Ownership Determinants in shaping purchase intentions and decisions, offering practical insights into the intricacies of the property market during the COVID-19 pandemic. In conclusion, this research enriches our understanding of property market dynamics in the challenging context of the COVID-19 pandemic. The empirical results provide actionable implications for refining marketing strategies, elevating customer experience, and adapting to evolving environmental factors, thereby contributing to more informed policy support.

Keywords: Determinants of ownership, service excellence, changes in purchase intentions, purchase decisions, COVID-19, property marketing

APPROVAL

This is to certify that this thesis conforms to acceptable standards of scholarly presentation and is fully adequate, in quality and scope, for the fulfilment of the requirements for the Degree of Doctor of Philosophy.

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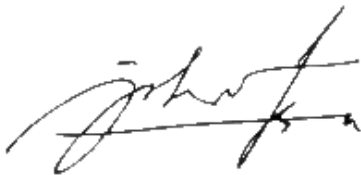


Professor Dr Siow Heng Loke
Chairman, Examination Committee
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5th October 2023

DECLARATION

I hereby declare that the thesis submitted in fulfilment of the PhD degree is my own work and that all contributions from any other persons or sources are properly and duly cited. I further declare that the material has not been submitted either in whole or in part, for a degree at this or any other university. In making this declaration, I understand and acknowledge any breaches in this declaration constitute academic misconduct, which may result in my expulsion from the programme and/or exclusion from the award of the degree.

Name: Johan Budiman

A handwritten signature in black ink, appearing to read 'Johan Budiman', written in a cursive style.

Signature of Candidate:

Date: 5 October 2023

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LIST OF ABBREVIATION

GTEM	Good 'Till Extended Market
PA	Property Attributes
PS	Property Surrounding
PV	Property Visuals

CHAPTER 1

INTRODUCTION

This chapter provides a discussion on the study's background and presents an overview of the research conducted within this study. The discussion of the research background is detailed in Chapter 1.0, while the formulation of the research problem is elaborated in Chapter 1.1, followed by a discussion of the research questions, research objectives, and the significance of the study. Furthermore, the thesis structure is summarized in Chapter 1.6. The final part of this chapter provides a research summary in Chapter 1.7.

1.0 Background of the Study

The housing and property industry plays an important role in the Indonesian economy, accounting for around 20% of the country's housing industry. The housing industry in the country has been the fastest growing sector over the last decade. As depicted in Figure 1.1, the number of approved residential units in Indonesia shows a sharp increase. (Roitman & Recio, 2020), they increased by 97.56%, while the number of housing approvals in Indonesia increased by 68.76% (Dvorak, 2021). In 2020, the building industry experienced a contraction, but grew by 3.8% to 4.8% (yoy) in the second quarter of 2021 and the first quarter of 2022. In addition, in the period from the second quarter of 2021 to the first quarter of 2022, the building industry real estate grew positively by 2.8% to 3.9% (yoy). However, the performance of the property sector has started to slow down since the second quarter of 2022. And finally, as can be seen in Figure 1.1, the growth rate in the third quarter of 2022 for the real estate and construction sector was only 0.63% (yoy).

Figure 1.1: GDP growth (% , Yoy) for residential consumption, building investment, construction, and real estate



Source: Processed BPS

Based on the information in Figure 1 above, business actors in the real estate sector would rather wait and see before acting on the housing business's prospects in 2023 due to the performance in the third quarter of 2022. Business actors appear to be aware that the real estate market is not expected to grow positively in 2021–2022. Fully backed by stable household consumption and purchasing power.

Despite the substantial rise in housing demand in Indonesia as a whole and particularly in Tangerang, housing supply shortages due to immigration and population growth pose a major challenge in homeownership issue (Purnamasari, 2021). As discussed by (Zainina, 2020), the overall housing market in Indonesia is categorized as the most unaffordable, with the Tangerang housing market ranked as severely unaffordable. This indicates that housing in Tangerang is no longer within reach due to the inability of housing supply to meet Tangerang's needs.

As such, appropriate and determined steps must be taken to increase the housing supply in Indonesia. This requires the involvement of all stakeholders within the housing industry to provide a suitable mix of housing options that fulfil the diverse expectations of Indonesian homeowners.

In the beginning of 2020, the world was shocked by the emergence of a new type of virus known as the coronavirus. Coronaviruses (CoV) belong to a family of viruses that cause a range of diseases, from the flu to more severe illnesses like Middle East Respiratory Syndrome (MERS-CoV) and Severe Acute Respiratory Syndrome (SARS-CoV) (Hairunisa & Amalia, 2020). The disease caused by the coronavirus, known as COVID-19, is a novel type that was discovered in 2019 and had not been previously identified or contracted by humans before (World Health Organization [WHO], 2020). Subsequently, the World Health Organization declared a public health emergency of international concern on January 30, 2020, followed by the announcement of a pandemic on March 11, 2020 (WHO, 2020). Currently, there is no available treatment or vaccine for COVID-19, and vaccine development is still in progress, impacting the purchase of community-based housing. One measure of customer expectations is the homeownership determinants factor. The significance of homeownership determinants has been highlighted and discussed for several years now. The primary obstacles that hinder homeowners' purchase decisions revolve around meeting customer expectations based on homeownership determinants. There are several attributes believed to influence homeownership determinants from a financial standpoint, such as housing prices, income levels, and credit availability (Painter & Redfearn, 2002). Housing price movements and volatility impact housing purchasing decisions (Kuchler et al., 2023). The income level of homeowners significantly contributes to determining housing purchase decisions (Fatimah &

Hafiszah, 2023). Housing is categorized as unaffordable when costs rise beyond 30 percent of annual household income (Kuroki, 2023). Moreover, access to financial resources is necessary to facilitate housing purchase decisions (Mustafa et al., 2023).

Another attribute influencing housing purchase decisions is the ease of access to public facilities such as workplaces, schools, public transportation, shopping centers, recreational areas, and open spaces (Bala, 2023). Most studies assert that homeowners are willing to pay more for a home in a favorable location, as the surrounding environment is another factor considered by homeowners when purchasing homes (van der Kloet et al., 2023). According to (Berkman, 2023), the environment can be defined as an area where its inhabitants are united and interconnected by shared interests and benefits. The various types of environments that homeowners opt for are somewhere that is safe, clean, and pollution-free (Rachma et al., 2024). Moreover, numerous infrastructure aspects contribute to homeowners' purchase decisions, including road conditions, waste disposal management, sanitation, fire systems, and drainage (Dong et al., 2023). Furthermore, housing features also play a crucial role in influencing homeowners' purchase decisions. There are several attributes related to housing features, such as the number of bedrooms and bathrooms, the availability of electricity and water supply (Karpinska & Śmiech, 2023). On the other hand, housing provision is not solely focused on homeownership determinants but is also evaluated through the lens of housing quality. In Indonesia - as in other countries - housing quality has been specifically highlighted in recent years, with particular interest being shown in:

- Risk communication and community engagement (RCCE) action plan guidance: COVID-19 preparedness and response. Jenewa: World Health Organization; 2020 (<https://www.who.int/publications-detail/risk->

communication-and-community-engagement-(rcce)-action-plan-guidance, access 29 April 2020).

- Identification of defects, causes, magnitude, and costs (Sturm et al., 2023)
- Improved housing design, construction, and pre-production (Alfarraji & Al Smadi, 2023)
- Quality management, planning, and control systems (Okpala & Korzeniowska, 2023)
- Construction supply chain management (Okpala & Korzeniowska, 2023)
- Sustainable development (Rasoolimanesh et al., 2023)
- Building maintenance (Ebekoziem et al., 2023)

Significantly, housing supply investigations are linked to service excellence for limited homeowners. In recent years, the level and quality of services have become increasingly important to customers and, consequently, to business practices. Service excellence is perceived by businesses as a crucial mechanism for enhancing customer satisfaction levels - thereby fostering repeat business, expanding market share, and achieving higher profitability. Service excellence is an extension of the service quality model that has been discussed and investigated for years. The key idea of the service quality model is to identify gaps between expectations and perceptions (Aboubakr & Bayoumy, 2022). Hence, service excellence is depicted as a level of service activity beyond customers' usual expectations or the ability to consistently 'surprise and delight' customers (Gouthier, 2023).

1.1 Problem Statement

At the time this study was conducted, no research had been done in the housing industry in Indonesia that explores the relationship between homeownership

determinants and service excellence in terms of customer satisfaction and the purchasing decision process in the era of Covid-19. Previous studies have only discussed the relationship between service quality and homebuyer purchasing behavior (Bagwell & Kellerman, 2023). However, a few studies have investigated the significance of homeownership determinants when homeowners decide to purchase a house (Kaynak et al., 2023)

Due to the relatively complex and rapidly growing housing market in Indonesia, which is unaffordable for many citizens, the primary objective of this research is to investigate how each homeowner makes purchasing decisions based on the identification of specific attributes that fulfill their needs. This study is conducted in the Tangerang housing market, as it represents the largest population of people and housing market in Indonesia. Therefore, the research problem is formulated as follows: There is a lack of information regarding homeownership determinants and service excellence factors that influence housing purchase decisions through the mediation of purchase intentions.

1.2 Research Objectives

The aim of this research is to formulate guidelines for homeowners in making their purchase decisions. Not only that, investigating the consumer decision-making process can be utilized to anticipate future requirements for the housing industry in Indonesia. To fulfill the objectives of this research and address the research questions, the research objectives are established as follows:

- 1) To establish the relationship between homeownership determinants and purchase decision-making.
- 2) To determine the relationship between service excellence and purchase

decision-making.

- 3) To ascertain the relationship between homeownership determinants and purchase decision-making through the mediation of home purchase intentions.
- 4) To determine the relationship between service excellence and purchase decision-making with home purchase intentions as a mediator.
- 5) To establish the relationship between home purchase intentions and purchase decisions for housing.

1.3 Research Questions

To address the research problem, three research questions were developed to direct the investigation in achieving the objectives of this study:

- 1) What is the influence of homeownership determinants on purchase decisions?
- 2) What is the influence of service excellence on purchase decisions?
- 3) What is the influence of homeownership determinants on purchase decisions through the mediation of home purchase intentions?
- 4) What is the influence of service excellence on purchase decisions through the mediation of home purchase intentions?
- 5) What is the influence of home purchase intentions on purchase decisions?

1.4 Research Significance

The expected benefits that can be derived from this research are:

- This research is expected to contribute to the advancement of knowledge and the development of discourse and studies on homeownership determinants in

determining purchase decisions through home purchase intentions.

- This research is expected to shed a light onto the role of excellent services in determining home purchase intentions.
- This research is expected to contribute to the advancement of knowledge and the development of discourse and studies on homeownership determinants in determining housing purchase decisions.
- This research is expected to illustrate the role of excellence of services in determining housing purchase decisions.
- This research is expected to contribute to the advancement of knowledge and the development of discourse and studies on homeownership determinants for the variable of home purchase intentions in determining purchase decisions.

1.5 Scope of the Research

This research utilized a survey administered on a sample of a determined population. A set of questionnaires was used as the primary data collection tool to address the critical factors of homeownership determinants and service excellence in determining the purchase decisions of homeowners through the mediation of home purchase intentions. The study is a case study of housing in the city of Tangerang.

1.6 Operational Variable

The operational definitions of each variable for Homeownership Determinants in this study are as follows:

1.6.1 Homeownership Determinants

1.6.1.1 COVID-19 Prevention Behavior

Good behavior can be an effort to prevent the spread of COVID-19 (Addiarto et al., 2023). The factors that influence health behavior include knowledge, perception, emotions, motivation, and the environment (van Valkengoed et al., 2022). The exploration of public health behavior can be done from various aspects, including perceptions of disease vulnerability, perceptions of prevention efforts, perceptions of benefits, incentives, and individual perceptions of the ability to undertake prevention efforts (Almi, 2020).

1.6.1.2 Property Attributes (PA)

Most buyers seek the most affordable property prices. Prices vary depending on several relative factors. According to (Ali & Chua, 2023), buyers consider factors such as design, accessibility, facilities, community concept, and security. Additionally, external factors also influence housing prices, which are speculative in nature (Lan et al., 2023). According to (Nguyen et al., 2023) housing attributes have been extensively studied, ranging from intrinsic housing attributes like interior design and spatial living, to extrinsic attributes such as exterior design and outdoor spaces. (Kartal et al., 2023) state that the environment and location play a significant role, as does the quality of the environment.

1.6.1.3 Property View (PV)

(Norsafiah et al., 2023) discovered that satisfaction comprises of three elements – design (spatial organization, layout, and facilities), management practices (in public housing), and the surrounding environment of the property development. Buyers must

constantly decide between seeking high-rise buildings or landed houses. In some urban areas with high population density, living in a single house (or single-family unit) is considered luxurious, and not all families can afford to purchase such homes.

1.6.1.4 Property Surrounding (PS)

Other characteristics, like location and the availability of public transportation, influence the choice of a residential location. (Wu, Kim, Lin, & Policy, 2022) found that in some urban areas, proximity to high-quality public green spaces adds more appeal to the property. This shows how location plays the most significant role in the success of a housing development. A good property in a great location has proven time and again to be in high demand. The surrounding topography can also serve as inspiration to architects in designing impressive houses. Another factor that will affect the location is the local economy and activities around the property. However, these factors lean more towards income and social status. Furthermore, other factors that can influence buyers' location choices are status and investment value. These factors are quite important as the residents in residential areas are more prestigious. According to Miron (2004), the factors that people should consider before buying a house are location, location, and location.

1.6.2 Service Excellence

Service Excellence is the highest form and level of service in meeting customer expectations and needs. In other words, excellent service is a service that meets predefined quality standards (Ditebo & Oladokun, 2023).

1.6.2.1 Fulfilling Promises

The availability of an outstanding service in the retail industry is capable of delivering an exceptional customer experience, resulting in higher customer satisfaction and purchasing decisions (Klein & Martinez, 2023).

a) Reliable Service

A reliable service is found to be the most crucial factor in fulfilling promises made to customers. It can also be said that providing reliable service correlates positively with the willingness to fulfill promises. In this study, the majority of respondents believed that reliable service from a housing developer is of utmost importance. Based on a semi-structured interview result, homeowners described a housing developer's ability to progress a construction on schedule as a reliable service.

Thus, a housing developer's ability to provide reliable services can create customer satisfaction and influence purchasing decisions. This finding aligns with previous research that found internet buyers tend to purchase from online stores that provide reliable services (Chepur & Bellamkonda, 2022). Moreover, it is consistent with another research in the online shopping industry, stating that service reliability is an essential attribute of online service quality contributing to overall customer satisfaction (Lin et al., 2023).

b) Fulfilling Expectations

Fulfilling expectations is considered a crucial factor for service excellence, which positively influences purchasing decisions and customer satisfaction. Most respondents in this study agree that the majority of housing developers in Auckland meet their expectations. A builder's ability to meet consumer expectations affects