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# Exploring the Determinants Behind Real Estate Buying Decisions

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## Abstract

Real estate purchase decisions for personal use involve a complex interplay of rational, emotional, and cultural factors. This study examines the determinants shaping residential property choices, drawing on data from 134 respondents through a structured questionnaire. Key factors include location, property features, financial considerations, lifestyle needs, accessibility, environmental aspects, and emotional influences. The findings highlight location and construction needs as primary considerations, with proximity to essential amenities and outdoor spaces being highly valued. Financial affordability, hidden costs, and favorable mortgage options significantly impact decision-making, alongside lifestyle preferences such as walkability and access to public transportation. Environmental sustainability, including green spaces and favorable climates, has gained prominence, while technological infrastructure and smart home features enhance desirability. Emotional and cultural dimensions, such as community belongingness and aesthetic appeal, further underscore the multifaceted nature of real estate decisions. This study provides actionable insights for developers and policymakers to design sustainable, consumer-focused housing solutions.

**Keywords:** Real Estate, Buying Behaviour, Factors
JEL Classifications: R21, D12

## Introduction

The decision to purchase real estate for personal use is a significant milestone in an individual's life, often marked by a combination of emotional, practical, and financial considerations. Unlike real estate investments, which are primarily driven by the potential for financial returns, personal real estate purchases are deeply rooted in the buyer's lifestyle preferences, family needs, and long-term aspirations (Tiwari & Rao, 2016). Understanding the factors influencing these decisions is essential for stakeholders, including real estate developers, policymakers, and urban planners, to create environments that cater to the evolving needs of homeowners. The factors influencing real estate purchase decisions can be broadly categorized into location, property features, financial considerations, lifestyle needs, accessibility, environmental aspects, and emotional and cultural influences. Location remains a dominant determinant, with proximity to workplaces, educational institutions, and amenities playing a pivotal role (Rosen, 1974). Additionally, property features such as the number of bedrooms, outdoor space, and energy efficiency significantly impact buyers' preferences, particularly for families seeking a home that aligns with their functional and aesthetic requirements (Kok et al., 2012).Financial considerations, including affordability, hidden costs, and

favorable mortgage options, also weigh heavily on buyers' decisions (Quigley & Raphael, 2004). Simultaneously, lifestyle factors such as access to recreational facilities, pet-friendliness, and the availability of cultural and community connections shape buyers' choices, reflecting their priorities beyond the physical structure of the property (Tan, 2008). Moreover, environmental considerations, such as climate, air quality, and risks of natural disasters, have gained prominence as sustainability and resilience become integral to modern living (Williams & Dair, 2007). In addition to these tangible factors, emotional and cultural dimensions, such as a sense of belonging, aesthetic appeal, and alignment with personal values, further underscore the complexity of real estate purchase decisions (Coolen & Hoekstra, 2001). These factors highlight the interplay between rational and emotional drivers, emphasizing that buying a home is more than a transaction—it is an investment in one's quality of life and future.This paper aims to explore and analyze the multifaceted factors influencing the purchase decisions of real estate for personal use. By examining these factors, the study seeks to provide valuable insights into consumer behavior and contribute to the existing body of knowledge in real estate research, urban planning, and housing policy development.

## Literature Review

The decision to purchase real estate for personal use is shaped by a wide range of factors that reflect buyers' socio-economic, cultural, and lifestyle preferences. Existing literature provides valuable insights into these determinants, broadly categorized into location, property features, financial considerations, lifestyle preferences, accessibility, environmental factors, and emotional influences. This review synthesizes key findings from scholarly work on these aspects to offer a comprehensive understanding of the factors influencing residential property purchase decisions. Factor Location consistently emerges as one of the most critical factors influencing real estate purchase decisions. Proximity to workplaces, schools, and essential services like healthcare and shopping significantly impacts buyers' preferences (Rosen, 1974). Urban buyers prioritize areas with shorter commute times and better access to public transportation (Debrezion, Pels, & Rietveld, 2007). Moreover, safety and neighborhood reputation play pivotal roles, as buyers seek secure environments conducive to raising families (Zumpano, Elder, & Baryla, 1996). The physical characteristics of a property, including size, layout, and design, are crucial determinants of buyer preferences. Studies highlight the importance of functional spaces such as the number of bedrooms, modern kitchens, and outdoor areas (Coolen & Hoekstra, 2001). Additionally, energy-efficient and eco-friendly features, such as solar panels and efficient insulation, have gained prominence in recent years due to rising environmental awareness (Kok et al., 2012). Buyers are increasingly drawn to homes that offer a blend of functionality and sustainability. Affordability is a key factor in residential property purchases. Buyers often consider not just the initial price but also associated costs, including property taxes, maintenance, and financing options (Quigley & Raphael, 2004). Favorable mortgage terms and low-interest rates can significantly influence decision-making, as buyers aim to minimize long-term financial burdens (Linneman & Voith, 1991). Additionally, hidden costs, such as homeowners' association fees or future repair expenses, can deter buyers from choosing specific properties. Lifestyle needs have become increasingly significant in shaping real estate decisions. Families with children prioritize proximity to reputable schools, while others value access to recreational facilities, cultural hubs, and social amenities (Tan, 2008). The desire for a balanced work-life environment has led many buyers to prefer properties that align with their

leisure and social needs. Pet owners, for instance, often prioritize properties with pet-friendly features, such as large yards or nearby parks (Williams & Dair, 2007). Accessibility to transportation networks and infrastructure is another key determinant. Properties located near major highways, public transit systems, and airports are often more desirable due to their convenience (Cervero & Murakami, 2010). Walkability, defined as the ease of accessing daily needs on foot, also influences purchasing decisions, particularly among urban buyers (Ewing & Cervero, 2010). Environmental considerations have gained attention as sustainability and climate resilience become priorities for buyers. Buyers prefer properties in areas with good air quality, low noise pollution, and minimal risk of natural disasters (Williams & Dair, 2007). Additionally, green spaces and natural surroundings, such as parks and gardens, significantly enhance the desirability of a property (Kramer, 2020). Emotional and cultural factors play a less quantifiable but equally critical role in shaping real estate decisions. Buyers often seek properties that evoke a sense of belonging or align with their cultural and personal values (Coolen & Hoekstra, 2001). The aesthetic appeal and architectural style of a property can also elicit emotional connections, influencing the final purchase decision (Tan, 2008). Even when buying for personal use, many buyers consider the potential for long-term appreciation and resale value. Neighbourhood development, infrastructure projects, and economic growth prospects in the area are often assessed to ensure the property remains a sound financial decision (Quigley & Raphael, 2004).

## Research Methodology

This study adopts a quantitative research methodology to examine the factors influencing the purchase decisions of real estate for personal use. A descriptive research design was employed to understand and analyze the key determinants shaping real estate purchase decisions. This design allows for a systematic exploration of various factors such as location, property features, financial considerations, lifestyle preferences, accessibility, environmental factors, and emotional influences. Extensive literature review from scholarly articles, reports, and prior research formed the foundation for identifying and categorizing the factors considered in the study. Data were collected through a structured questionnaire designed to capture the respondents' opinions and preferences related to real estate purchases. The questionnaire consisted of 40 items categorized into various factors influencing decision-making. A non-probability convenience sampling method was used to collect data from individuals involved in purchasing real estate or planning to purchase real estate. The study included a sample of 134 respondents. The data were analyzed using statistical tools and techniques, including Cronbach's Alpha, which was calculated to measure the internal consistency of the questionnaire. Principal Component Analysis (PCA), which was performed to identify underlying factors influencing real estate purchase decisions. The Kaiser-Meyer-Olkin (KMO), to measure of sampling adequacy and Bartlett's test of sphericity to confirmed the suitability of the data for factor analysis. Varimax rotation was applied to simplify the interpretation of factors using factor loadings.

## Data Analysis and Results

The data was initially processed and coded before the analysis. We used SPSS 27 for the data analysis. We started with the preliminary checks of the data by conducting the Reliability and Sampling Adequacy Tests, and the results are below:

**Table 1.1: Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .871 | .872 | 40 |

The value of 0.871 indicates excellent internal consistency among the 40 items. This suggests that the instrument used in the study is reliable and consistently measures the intended construct. Hair et al. (2010) suggest that a Cronbach's Alpha value above 0.7 is considered acceptable, while values above 0.8 are deemed good. The below table 1.1 shows the results for Cronbach's Alpha.

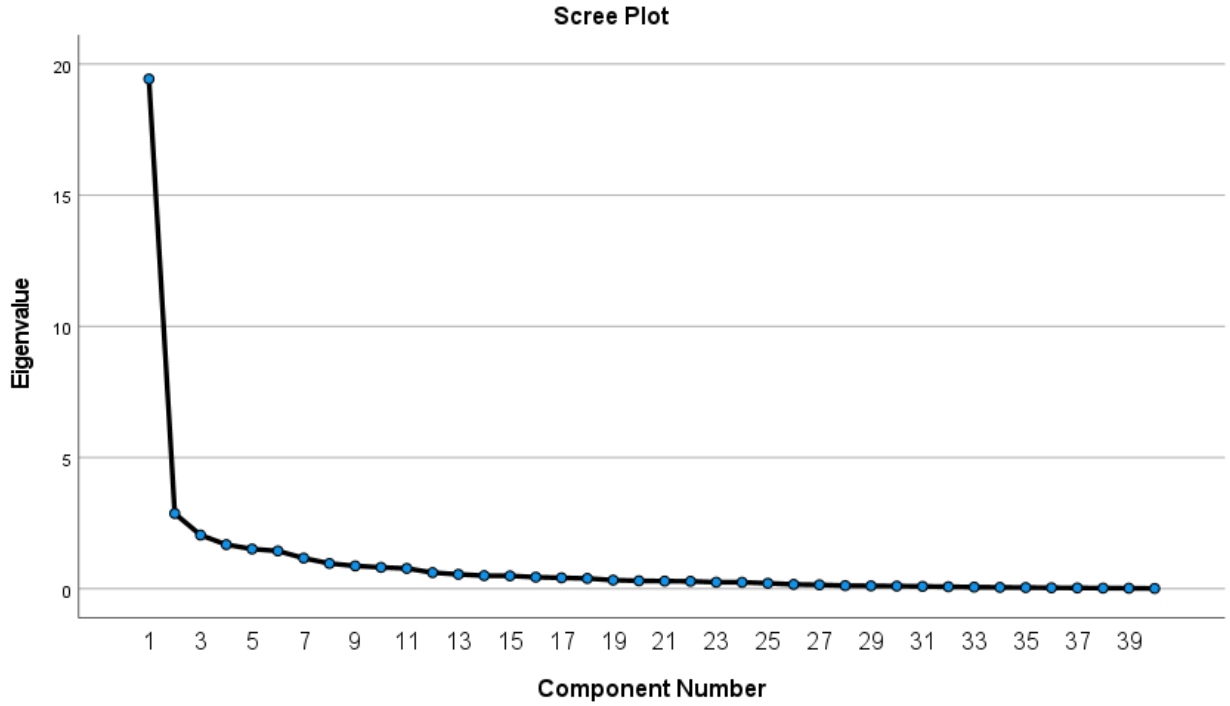
**Table 1.2: KMO and Bartlett's Test**

| | | |
|---|---|---|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .800 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 2318.102 |
| | df | 780 |
| | Sig. | .000 |

The KMO Measure of Sampling Adequacy value of 0.800 indicates that the sample is adequate for factor analysis. According to Kaiser (1974), a KMO value above 0.8 is meritorious, meaning the sample size is sufficient for deriving reliable factors. Similarly, Bartlett's Test of Sphericity is significant ($p<0.001p < 0.001p<0.001$), suggesting that the correlation matrix is not an identity matrix, and there are sufficient relationships among variables to proceed with factor analysis. Field (2009) highlights the importance of these measures, noting that significant Bartlett's test results and a KMO above 0.6 indicate suitability for factor analysis.
The PCA extracted seven components that cumulatively explained 75.396% of the variance. This exceeds the 60% benchmark recommended by Costello and Osborne (2005) for social sciences, suggesting that the identified factors effectively represent the data structure.

| **Table 1.3: Total Variance Explained** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
| Component | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 19.434 | 48.585 | 48.585 | 19.434 | 48.585 | 48.585 | 8.253 | 20.634 | 20.634 |
| 2 | 2.870 | 7.175 | 55.760 | 2.870 | 7.175 | 55.760 | 6.089 | 15.223 | 35.856 |
| 3 | 2.047 | 5.118 | 60.879 | 2.047 | 5.118 | 60.879 | 4.075 | 10.188 | 46.044 |
| 4 | 1.683 | 4.207 | 65.085 | 1.683 | 4.207 | 65.085 | 3.905 | 9.763 | 55.807 |
| 5 | 1.515 | 3.788 | 68.873 | 1.515 | 3.788 | 68.873 | 3.233 | 8.082 | 63.889 |
| 6 | 1.441 | 3.603 | 72.476 | 1.441 | 3.603 | 72.476 | 2.386 | 5.965 | 69.853 |
| 7 | 1.168 | 2.920 | 75.396 | 1.168 | 2.920 | 75.396 | 2.217 | 5.543 | 75.396 |
| 8 | .963 | 2.408 | 77.804 | | | | | | |
| 9 | .871 | 2.177 | 79.981 | | | | | | |
| 10 | .815 | 2.039 | 82.020 | | | | | | |
| 11 | .775 | 1.937 | 83.957 | | | | | | |
| 12 | .615 | 1.537 | 85.494 | | | | | | |
| 13 | .550 | 1.374 | 86.869 | | | | | | |
| 14 | .500 | 1.249 | 88.118 | | | | | | |
| 15 | .491 | 1.228 | 89.346 | | | | | | |
| - | - | - | - | | | | | | |
| - | - | - | - | | | | | | |
| 40 | .011 | .028 | 100.000 | | | | | | |
| Extraction Method: Principal Component Analysis. | | | | | | | | | |

The dominance of the first factor (Location & Construction Need) with an initial eigenvalue of 19.434 highlights the primary importance of proximity to essential amenities, adequate space, and outdoor areas in housing decisions. Subsequent factors—Financial Considerations, Accessibility and Transportation, and others—reflect nuanced but equally significant dimensions influencing buyer preferences.




The rotation using the Varimax method improved interpretability by distributing the variance more evenly among components. The rotated component matrix provided clear loading patterns, leading to the identification of seven distinct factors.

**Table 1.4: Rotated Component Matrix[a]**

| | Component | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Q2 | ***.631*** | | | | | | |
| Q4 | ***.816*** | | | | | | |
| Q5 | ***.755*** | | | | | | |
| Q6 | ***.746*** | | | | | | |
| Q11 | | ***.687*** | | | | | |
| Q12 | | ***.604*** | | | | | |
| Q13 | | ***.601*** | | | | | |
| Q18 | | | ***.584*** | | | | |
| Q19 | | | ***.550*** | | | | |
| Q20 | | | ***.587*** | | | | |
| Q21 | | | | ***.576*** | | | |
| Q22 | | | | ***.596*** | | | |
| Q25 | | | | | ***.853*** | | |
| Q26 | | | | | ***.610*** | | |
| Q27 | | | | | ***.599*** | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Q28 | | | | | ***.600*** | | |
| Q31 | | | | | | ***.726*** | |
| Q32 | | | | | | ***.625*** | |
| Q33 | | | | | | ***.738*** | |
| Q34 | | | | | | ***.642*** | |
| Q36 | | | | | | | ***.609*** |
| Q37 | | | | | | | ***.825*** |
| Q38 | | | | | | | ***.872*** |
| Q39 | | | | | | | ***.657*** |
| Q40 | | | | | | | ***.837*** |
| Extraction Method: Principal Component Analysis.<br>Rotation Method: Varimax with Kaiser Normalization. | | | | | | | |
| a. Rotation converged in 13 iterations. | | | | | | | |

Further these components are named according to the nature of the statements mentioned in the table

**Table 1.5: Statements and its Underlying Factors.**

| **Question** | **Statements** | **Factors** |
|---|---|---|
| Q2 | I want a neighbourhood with easy access to shops, hospitals, and entertainment. | Location & Construction Need |
| Q4 | I prefer a home that is close to public transportation. | |
| Q5 | The size of the home must be big enough for my current and future needs. | |
| Q6 | I like homes with outdoor spaces like a yard, garden, or balcony. | |
| Q11 | Staying within my budget is very important when choosing a home. | Financial Considerations |
| Q12 | I look for homes that are affordable to maintain in the long run. | |
| Q13 | I carefully check for extra costs like taxes, maintenance fees, or repairs. | |
| Q18 | It is important for me to have easy access to buses or trains. | Accessibility and Transportation |
| Q19 | I like neighbourhoods where I can walk to places like shops or parks. | |
| Q20 | I prefer living near highways or main roads for easy travel. | |
| Q21 | I like areas with a comfortable climate and good weather. | Environmental Factors |
| Q22 | Living near parks or green spaces is important to me. | |
| Q25 | Even though this is for personal use, I think about how easy it will be to sell the home later. | Future Resale Value |
| Q26 | I prefer homes in neighbourhoods that are growing and improving. | |
| Q27 | I prefer newly constructed or recently renovated properties. | |
| Q28 | A move-in-ready property is more appealing to me than one requiring major repairs. | |

| | | |
|---|---|---|
| Q31 | The availability of high-speed internet is essential when choosing a property. | Technological and Connectivity Factors |
| Q32 | Smart home features (e.g., automated lighting, thermostats) add value to a property. | |
| Q33 | I consider the technological infrastructure of a property as an important factor. | |
| Q34 | I prefer properties located in areas with strong cellular network coverage. | |
| Q36 | I feel emotionally connected to the aesthetic appeal of a property. | Community and Belongingness |
| Q37 | Living in a community that matches my cultural values is important to me. | |
| Q38 | I prefer neighbourhoods that provide a sense of belonging and community. | |
| Q39 | I am influenced by the cultural or historical significance of the property or its location. | |
| Q40 | I prefer properties located in neighbourhoods where I feel a sense of safety and belonging. | |

## Conclusion

The findings indicate that buyers prioritize accessibility to shops, hospitals, and entertainment (Q2) and prefer homes with outdoor spaces (Q6). This aligns with studies like Lee et al. (2015), emphasizing the importance of location and functional design in residential preferences. Affordability and budgeting concerns (Q11, Q12) emerged as a critical factor, underscoring the cost-conscious behavior of buyers. These results resonate with Tiwari and Parikh's (1998) research on urban housing affordability in India. Easy access to public transportation (Q18) and walkable neighbourhoods (Q19) were significant contributors, reflecting the increasing demand for connectivity in urban living. Preferences for green spaces (Q22) and favourable climates (Q21) highlight the growing emphasis on environmental sustainability and quality of life, as noted in research by Chen et al. (2015). The desire for move-in-ready homes (Q28) and properties in developing neighborhoods (Q26) reflects a strategic approach to property investment, aligning with findings from real estate market studies. High-speed internet (Q31) and smart home features (Q32) emerged as key factors, underscoring the role of technology in modern housing decisions. This finding supports the literature on digital transformation in real estate (Kumar et al., 2020). Emotional connection to cultural values (Q37) and a sense of safety (Q40) illustrate the significance of psychological and social factors in residential choices. This is consistent with studies on housing satisfaction and community attachment (Zhou & Lin, 2016). The results emphasize the importance of location, affordability, and modern amenities. Developers should focus on integrating technological infrastructure and designing sustainable, community-oriented housing projects. The findings also highlight the need for accessible public transportation, green spaces, and mixed-use developments to enhance the quality of urban living. Understanding these factors can help individuals make informed decisions based on both current needs and future resale value. Future

research could explore the influence of cultural differences and regional variations on these preferences to generalize the findings further.

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