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Evaluation of Criteria Relating to Housing Prices from the Viewpoint of Real Estate Builders

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Abstract

The study has been conducted to understand the criterias which the builders consider significant in framing the housing prices. This is also a pilot study which will help us to determine the factors influencing the housing prices at a large scale. Real estate sector is a non-conventional yet vast market which connects different ancillary fields. Speaking about the major earnings from this sector which is considered as “Prices” of the properties, it is the builders who decide the final quotes. From the past few years it has been observed that all over India there is a deterioration in the housing prices. However, since the sector is well connected to so many other industries which in turn helps in the upliftment of employment criteria, an important question arises here- How do the builders/developers quote the final prices of the housing properties? **Design/Methodology:** In the current paper, we have interviewed 150 builders from different parts of Bangalore. As a part of statistical tools, we have used Descriptive analysis which includes the calculation of frequencies and percentages of builders who agree or disagree to different price related criterias. **Findings:** The results derived from the study show that builders view factors like legal documents, project amenities, property location, open spaces and eco-friendly facilities are major criteria for deciding the real estate housing prices.

Keywords: 1 Housing prices, 2 Housing properties, 3 Real estate sector, 4 Real estate builders, 5 Descriptive analysis.

1. Introduction

Real estate housing prices are considered as an important component with regards to earnings management concept. These prices are however not constant in nature. In fact, prices of this sector have been observed to differ from one state to another. In this paper we have only considered Bangalore for our sample study. In the paper *G. Madhushree & M. Amaresha (2020)*^[6], an analysis has been done to understand the price trends of the real estate housing properties of Bangalore for 4 years i.e. from 2016-

2019. Results from this paper shows that unlike other places in India, housing prices of Bangalore show an increasing trend. This raises the question of how the builders decide these prices. In *R. Cellmer et al. (2020)^[2]*, a similar work has been conducted regarding the real estate market of Poland. It has been also observed in few works that housing prices are somewhere influenced by behavioural aspects of real estate customers. In the work *B. R. Humphreys et al. (2019)^[4]*, it is found that certain superstitions of real estate buyers influence the housing prices. A detailed study of the behavioural aspects of real estate buyers in order to purchase properties has been analysed in the paper *G. Madhushree & M. Amaresha (2020)^[5]*. In this work we have identified the major factors which are considered by real estate buyers while making such purchase decisions. This paper has been considered as the base paper for framing the structured questionnaire for the current paper. Some of the other prominent works are *Al- Nahdi et al. (2015)^[1]*, *D. M. Sundrani (2018)^[10]*, *B. Grum et al. (2015)^[3]*. When observed about the builders and their role in this sector, there are a series of research works which have been conducted from time to time. In the paper *R. J. Shiller (2008)^[9]*, the author has focused on the historic turning point of this sector all round the world where it showed a sharp decline in the housing prices. A similar type of study has been conducted in the paper *T. Nicholas & A. Scherbina (2013)^[7]* where the real estate prices were studied during the period of great depression. *O. Palmon et al. (2004)^[8]* found that the clustering in real estate prices are subject to better transaction outcomes which are again positively connected to a number of area properties. On the other hand, in the paper *V. Urbonaviciene et al. (2009)^[11]* it has been highlighted how negotiations between the real estate builders and buyers play an important role in finalising the property prices. Several researches have been conducted in order to find out the factors which real estate customers consider for making property purchase decisions.

However, it is important to mention here that not many works have been conducted to understand the builder's view on the real estate property prices. This paper is an initiative to understand their perspective regarding the same. This will also help us to identify the major factors considered by them while quoting the final housing prices.

2. Research methodology

The objective of the current paper is to understand the viewpoint of builders regarding the factors which primarily influence the property prices. Since this is a pilot study, the data collection has been done exclusively through the help of primarily data sources. For conducting the data collection, a structured questionnaire has been framed. This questionnaire consists of 8 criteria which are based on major factors considered by real estate buyers for making housing purchase decisions. The questionnaire is based on the results derived from the paper *G. Madhushree & M. Amaresha (2020)^[5]*. As a part of the sample, we have interviewed 150 builders of all categories from Bangalore. This has been done to get an overall view from all types of builders and to avoid any sort of biases in the study. The data has been collected in the month of Feb-March 2021. The properties which are included for the data collection are RERA approved properties only. This has helped to get transparent data as other information is clearly available in the RERA site.

For the statistical analysis here we have adopted Descriptive statistics through which we have been able to calculate the frequency and percentages of the data. Since the motive of the paper is to identify the criteria of price quotation from the builder's viewpoint, no Inferential statistics have been applied in this paper.

3. Data analysis & interpretation

In this section we have been able to find out the viewpoint of the builders regarding different criteria relating to property prices. Through the help of pie-chart, we have been able to identify how the builders agree or disagree on different factors with respect to housing prices.

Legal Documents

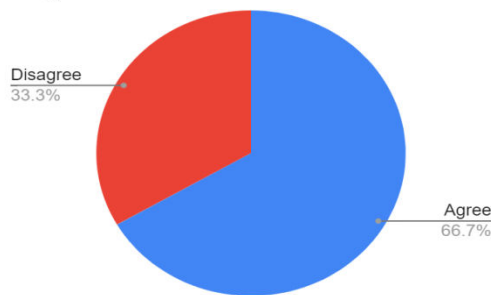


Figure 1: Builder's view on Legal documents

From the data collected we have found that there are 100 projects for which builders believe that the availability of legal documents influence the prices of housing properties. From Figure 1 we find that 66.7% of the builders agree that legal documents influence property prices. This indicates that the majority of the builders think that legal documents play a significant role in quoting the final property prices.

Corner Apartments

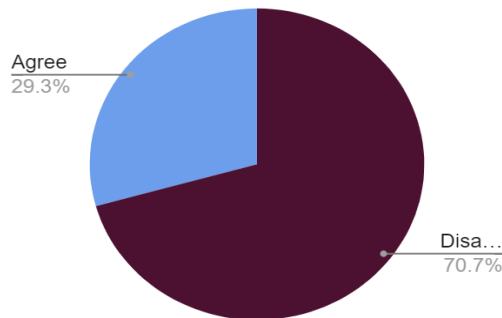


Figure 2: Builder's view on Corner apartments

In case of the second criteria i.e. corner apartments, we see that only 44 projects exist where price is dependent on whether an apartment is a corner property or not. From Figure 2 we can easily derive that in 70.7% of the cases, builders disagree to the fact that corner apartments influence the prices. But according to few builders, the corner apartments are currently not charged differently in order to increase the sales during this COVID situation.

Floor Rise

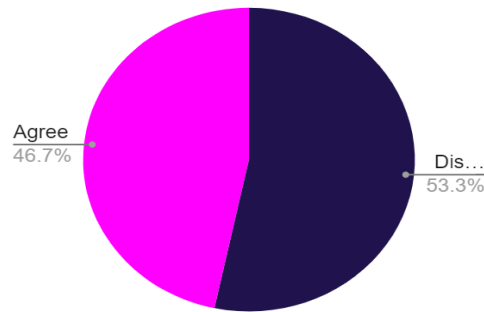


Figure 3: Builder's view on Floor rise

Floor rise is one such factor which depends and differs from one project to another. From the data we have found that in the case of 80 projects, floor rise influences the property prices. This has been highlighted in Figure 3 where we find that almost the same no. of projects exist in the sample where some builders agree and others disagree that floor rise influences the property prices. The difference between the 2 categories is very less which clearly shows that depending on the project, it is decided whether floor rise influences property prices or not.

Project amenities

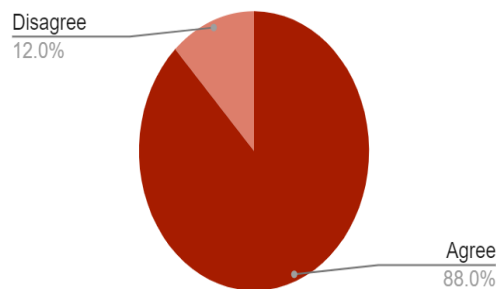


Figure 4: Builder's view on Property amenities

One of the most important criteria considered by real estate customers while making purchase decisions is property amenity. In our study we have found that out of 150 projects, 132 of them have the provision of different amenities. This comprises 88% of the projects where builders agree that project amenities influence the housing prices. Thus from Figure 4 we can interpret that in the majority of the cases builders view is that prices are influenced by project amenities.

Property location

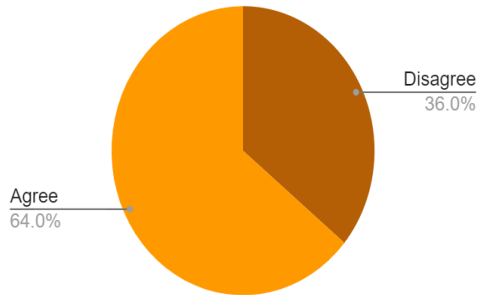


Figure 5: Builder's view on Property location

In case of property location, we see that 96 projects exist where the locational advantages influence the property pricing. This is highlighted in Figure 5 where we can derive that in 64% cases, builders agree that locational facilities of the properties influence their pricing.

Public Transport

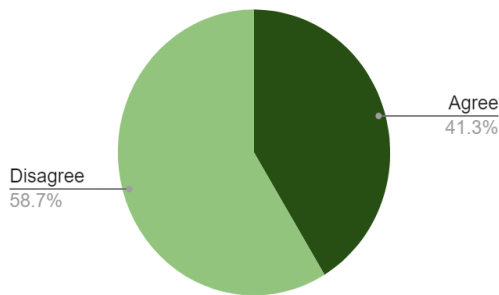


Figure 6: Builder's view on Public transport

From Figure 6 we find that in only 41.3% projects, public transport plays a significant role in influencing the property prices. The frequency count shows that in 88 projects builders disagree to the fact that public transport influences the housing prices. This indicates that this criteria is not a significant one in determining the final prices.

Open Spaces

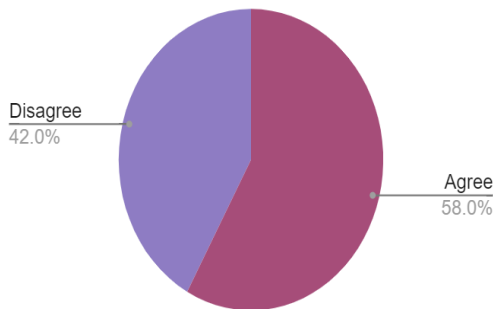


Figure 7: Builder's view on Open spaces

Open spaces associated with properties are also often preferred by real estate customers. During our data collection we have found that out of 150 projects, 87 projects exist where builders agree that provision of

space influences the property prices. Through Figure 7 we have highlighted that in 58% cases builders view this criteria as a significant one in affecting the housing prices.

Eco friendly facilities

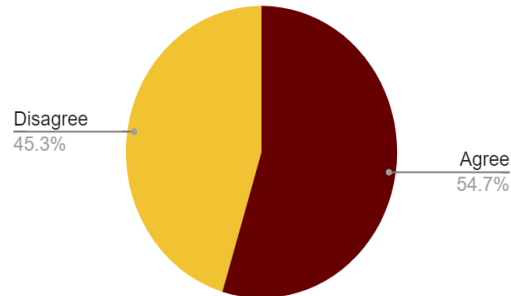


Figure 8: Builder's view on Eco-friendly amenities

The last criteria considered in the data analysis and interpretation section is the provision for eco- friendly amenities. In 54.7% of the projects, the builders agree that the provision of such amenity/facility does influence the housing prices. This has been highlighted in Figure 8. From the frequency count, we have found that 87 out of 150 projects exist where builders consider this facility as a significant one.

4. Conclusion

The objective of the paper was to identify the criteria which helps in quoting the final housing prices from the viewpoint of the real estate builders. However during the interview process with the builders, a significant point was highlighted. According to the builders these criterias are not general in nature. When the final prices are quoted, the criteria influencing the prices differ from one project to another. For e.g. not all projects will have the provision of project amenities and eco-friendly facilities. Thus the prices of such properties will differ accordingly. Additionally we may conclude that the results derived from the data analysis is based on the builder's viewpoint which differs as per the projects. From the analysis and the interpretation we have found that apart from criterias like corner apartment, floor rise and public transport, all other criterias play a significant role in the quoting of the final housing prices as per the real estate builders.

Another important outcome of the study is that based on these important criterias, further study can be conducted on a large scale. Moreover with the help of the builder's viewpoint, further analysis can be done through detailed statistical application to identify the major variables which influence the prices of housing properties. Thus this pilot study has helped us to create a platform through which we can do a thorough study of the major determinants of real estate housing prices.

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