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Real Estate Industry in Chittagong (Bangladesh): A Survey on Customer Perception and Expectation

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Abstract

Bangladesh is an over populated country and day by day population is increasing rapidly which created the housing problem. Land prices skyrocketed. Due to high price, insufficiency of land, high cost of land registration, and high price of building materials, people are now not interested to buy a land for building their own house. This article shows the customer perception and expectation in different dimensions - budget, types of apartment, size of apartment, favorable location in Chittagong city, favorable facility in an apartment, factors related to purchase decision, factors in selecting developer company, how customers determine about quality, company brand selection, desired services from a particular company, preference between apartment and land, the risk factors perceived by the customers. Geographically, this study focuses on the Chittagong, and can be considered as a little contribution to the understanding of the real estate industry, particularly in Chittagong and particularly from the customer perspective. But the findings may be relevant for other cities also. Real estate companies and developers can take these factors into consideration while making their business strategy and marketing strategy. On the other hand, Policy makers can take the customer perception and expectation cited in this study, into consideration while making related regulatory policies and framework.

Keywords: Real Estate, Bangladesh, Chittagong, Customer perception and expectation

1. Introduction

1.1. ***Background and Rationale of the Study****:* Bangladesh is an over populated country and day by day population is increasing rapidly which created the housing problem. Land prices skyrocketed. Due to high price, insufficiency of land, high cost of land registration, and high price of building materials, people are now not interested to buy a land for building their own house. That's why they turn to real estate companies who are providing flats or apartments. In response, real estate business has enjoyed a boom over the years. In all over the Bangladesh, there are now companies growing up like mushrooms. Most of the companies are situated in Dhaka and Chittagong but also spreading throughout other divisional and district towns like Comilla, Sylhet, Cox's Bazar, Bogra, Rajshahi, Khulna, Mymensingh, Gazipur etc. There are some secondary literature based articles like real estate financing by Sarker et al. (2011). But there is little research, specifically primary data based one, - what customers are looking for, why they are choosing particular apartment, particular company and for what factors. More specifically there are few studies on this in the context of Chittagong city. That prompted the authors to conduct this exploratory study.

1.2. ***Objectives of the study:*** The broad objective of this study is to develop an understanding of the overall picture of apartment/flat market of Chittagong City with particular emphasis to customer's preference and expectation side. The specific objective is to identify and gain insights about the preference of the apartment buyers or customers while choosing the apartments or the real estate companies.

1.3. ***Methodology****:* The **topic** was selected because this is a very interesting one in current context of Bangladesh. Real estate market is booming, demand is soaring, and shaping of industry is very fast. Real estate has become a focus of citizen interest. **Literature review** was done by going through the available volumes of different universities and web search. **Sampling procedure**: random sampling was followed for selecting 150 customers. They were selected randomly from the database of the randomly selected real estate companies. **Data collection and analysis:** data was collected at different points – at the office of the real estate companies, at randomly visited apartment construction sites where customers were visiting randomly, and at home of the customers. Then data were tabulated and summarized in MS-Excel. **Questionnaire** was prepared with the help of 3 real estate companies to ensure face validity, tested on 10 customers and then finalized for the survey.

1.4. ***Scope and Limitations*****:** This is a cross sectional study which might not capture the trend or changes in customer attitude and preferences about the apartments or real estate companies. This field based study was done only in Chittagong. There are so many real estate developer companies in Dhaka and all over the country, with huge and growing customer base, different target customers, and with different business strategies. So it might not be possible generalized about the overall country scenario. The main field investigation was done two years ago. So the year-of-investigation and year-of-publication time gap is there as this market is changing over time.

2. Real Estate Industry in Bangladesh

REHAB (Real Estate and Housing Association of Bangladesh) was formed in 1991 with only 11 members. As on February 28, 2011 the number of REHAB members have risen to 1082 (REHAB, 2011). So it can be understood from this fact that this real estate sector is relatively a new sector but it developed with a tremendous speed.

National Housing Authority (NHA) (2010) website says, "To ascertain shelter for all by 2000 the Democratic government now formulating National Housing policy 2004, considering the present need of the country. In the light of the National Housing policy, the national Assembly has adopted and approved the National Housing Authority (NHA) Act. 2000. In accordance with the act, Housing and settlement direction (HSD) and deputy Commissioner Settlement (DCS) office have been abolished and a new organization NHA has been formed by merging these two organization. The National Housing authority Act 2000 has been implemented on the 15th July, 2001 through the government notification." So, the website of National Housing Authority seems not to be updated with current demand and supply of housing units in Bangladesh.

National Housing Policy (draft) (2008) is a very good document itself. But we are not seeing any strategic implementation plan based on that. There are unplanned real estate developments all over the country and government is seen to take only ad hoc actions.

Chittagong is the second largest city, most important sea port, and, at least in paper, commercial capital of Bangladesh. Just after Dhaka, Chittagong has experienced the real estate boom. Bangladesh Bureau of Statistics (2010) shows that there are around 9 lac municipality households and another 6 lac households in other urban category in Chittagong. But this is 2001 data. If 2011 data is updated, naturally it will be significantly more.

REHAB (2011, a) website shows that there are 53 Chittagong based companies. In REHAB Fair (2011) at Chittagong, we see that out of 96 participant companies, 40 companies are based in Chittagong. Also it has become quite normal that companies coming from Dhaka to invest in new projects in Chittagong.

3. Findings about the preference of the customers

3.1. Budget: A budgeted amount is the expected amount a customer keeps aside. In this section, we are interested to know the budgeted amount kept by the customers for the purpose of buying an apartment constructed by a typical real estate developer company. In the survey it was found that maximum number of consumers' (53%) budget for an apartment is 40 – 50 lac taka. Also, a substantial number of consumers (26%) has a budget of more than 50 lac, whereas 21% of consumers' budget is around 30 – 40 lac for purchase an apartment. This is directly related with their income level.

Table 1: Budget for an Apartment Purchase

Budget in Tk.	**Frequency**	**Percentage**
20 – 30 Laks	0	0%
30 – 40 Laks	32	21%
40 – 50 Laks	79	53%
50 laks above	39	26%
Total	***150***	***100%***

3.2. Types of apartment: Types of apartment are also an important factor in consumers' preference in terms of an apartment. Because there are several types of apartments and consumers can purchase any type of apartment based on their need, income and budget. So it is important to find out that which type of apartment is more popular among the consumers. It was found that about 57% consumers prefer economy apartment, 25% customer prefer Semi Luxuries apartment. On the other hand duplex apartment (10%) and luxury apartment (9%) are more preferable to wealthy customers.

Table 2: Preference of Apartment Types

Apartment Type	**Frequency**	**Percentage**
Studio Apartment	0	0%
Economy Apartment	171	57%
Duplex Apartment	29	10%
Semi Luxuries Apartment	74	25%
Luxuries Apartment	26	9%
Total	***300***	***100%***

Note: all customers (150) were asked to provide at least two choices

3.3. Size of apartment: Size is another very important factor of consumers' preference when it comes to apartment. It is important to consider because consumers budget is related with the apartment size. The larger the apartment size the price of apartment is also high. In terms of Size, majority of the consumers prefer (36%) prefer 1250 – 1350 Square feet. Next majority of customers prefer 1350 – 1550 Sft (30%). So taken together, 66% of the consumers prefer something between 1250 to 1550 SFT. Also, there is a strong demand for even smaller flat (27%).

Table 3: Preferable Size of Apartment among Consumers

Apartment Size (Square feet)	**Frequency**	**Percentage**
900 – 950 Sft.	0	0%
1050 – 1250 Sft.	40	27%
1250 – 1350 Sft.	55	36%
1350 – 1550 Sft.	45	30%
1550 – 3000 Sft.	10	7%
Total	***150***	***100%***

3.4. *Preferable Location in Chittagong city:* Location of the apartment is one of the most important factors of consumers' preference in terms of an apartment. People try to move to those locations where communication facility is good and security is high. Naturally price is also related with the good location. So it is important to find out that which locations are more preferable to the consumer for their apartment. From the table it can be stated that Khulshi hills is a top preference (15%). This is because this area is one of the most prestigious areas in Chittagong city. This is followed by Agrabad and Sugondha R/A (11%), Mehedibag and Nasirabad R/A (9%), Jamalkhan and O.R. Nizam Road (8%). Lalkhan Bazaar and Love Lane also came very close (7% and 5%). Then 16% of the consumers prefer other location from the above-mentioned area such as Hallishar R/A, Chackbazar, Devpahar etc.

Table 4: Percentage of respondents selecting each Location

Location Name	**Frequency**	**Percentage**
Khulshi Hills	55	15%
Agrabad	40	11%
Sugondha R/A	40	11%
Mehedibag	35	9%
Nasirabad R/A	35	9%
Jamal Khan	30	8%
O.R Nizam Road	30	8%
Lalkhan Bazar	25	7%
Love Lain	20	5%
Others	60	16%
Total	**370**	**100%**

Note: 150 customers were allowed to provide more than one option, some gave one, some two, and some three even. Total choices are 370

3.5. *Preferable Facilities in an Apartment:* Facilities of apartment are also an important factor of consumers' preference in terms of an apartment. Facilities are actually design and development related features which makes one apartment project different from others and one company from other. That's why it is important to know that which types of facilities are most preferable to the apartment purchaser. From the table it can be stated that good communications (25%) is the most desired facility followed by fittings (15%) and Security (16%). Then come interior design (12%) and car parking (10%). Generator and ventilation also are important (7% and 6% respectively).

Table 5: Percentage of respondents selecting each Facility

Name of the Facilities	**Frequency**	**Percentage**
Good Communication (transportation hub)	187	25%
Security	117	16%
Fittings	110	15%
Interior Design	89	12%
Car Parking	76	10%
Community Hall Room	62	8%
Generator	55	7%
Sufficient Ventilation	41	6%
Others	13	2%
Total	***750***	***100%***

Respondents were asked to state top five desired facilities. So 750 choices came from 150 respondents.

3.6. *Factors related to Purchase Decision:* Several key factors came up at the forefront in the test or pilot survey. In the final questionnaire some factors were given to the customers and were told to rate the factors in a Likert type preference scale, where score of 5 means most important. From the table we can see that Location and Quality of the work are most important (4.32 and 4.13), followed by price (3.15). Here, one interesting thing came out that price is not the number 1 factor though most of the customers prefer economy budget apartment.

Table 6: Preference of different Factors in purchasing apartment

Factors	Mean score
Location	4.32
Quality	4.13
Price	3.15
Company Goodwill	3.1
Interior Design	2.45
Size	2.4

3.7. *Factors in Selecting Developer Company:* Selection of a good developer company is an important factor to a consumer for purchase an apartment. There are so many developer companies that a consumer may easily get confused about which company to select. Same as above, several key factors came up in the initial survey. Then these factors were given to the customers for preference rating. From the table we see that Quality of the project and company's existing goodwill are the most important factor followed by price and reference of the relatives.

Table 7: Factors preferred in selecting developer company (5 = most important, 1 = least important)

Factors	Mean score
Quality	4.58
Goodwill	4.52
Price	3.89
Relatives' reference	3.56

3.8. *How customers determine about quality:* In the previous table, it is seen that most of the consumers' are more concerned about quality rather than price. Now it is important to know how consumers determine or decide on quality or for what factors consumers think some apartment is of better quality than others. From the table it is seen that maximum consumer decide on their own perception of quality. Expert opinion also is almost equally important though. Advertisement and promotion is less important a factor than other factors to form the decision on quality.

Table 8: Factors related to Quality Determination (5 = most important, 1 = least important)	
Factors	**Mean score**
Self Perception	4.32
Expert opinion	4.19
ISO Certified	4.11
Advertisement and promotion	3.27

3.9. *Company Brand Selection:* Selecting specific Developer Company is an important factor in the overall apartment purchase. All other preferences come down to selection of a brand that is trusted to have all those preferred qualities. This was done through non guided brand recall technique. Customers were asked to name the brand (each customer had to name 5 companies) that they perceive as trusted brand for apartment purchase.

Table 9: Consumer preference about Developer Company Brand *(5 = most important, 1 = least important)*		
Company Name	**Frequency**	**Percentage**
Sanmar	125	17%
Equity	113	15%
Keari	85	11%
Amin Mohammad	82	11%
CPDL	81	11%
BTI	75	10%
Mission	71	9%
ANZ	65	9%
Others	53	7%
Total	***750***	***100%***
150 customers gave a total of 750 names		

3.10. *Desired Services or Facilities from a particular company (Brand):* Facilities from Developer Company are an important aspect of consumer purchase decision process. It is important to find out what kind of facilities consumers want from the Developer Company. In the questionnaire some criteria are given for rating along the scale ranging from 1 to 5. From the table, it can be said that timely hand over or completion of the apartment project is the most important service that customers want (4.69). It is followed by other factors like quality maintaining across the projects, installment facility, and link to bank loan to purchase the apartment.

Table 10: Factors important in selecting developer brand *(5 = most important, 1 = least important)*	
Factors	**Mean score**
Timely Handover	4.69
Quality maintaining	4.21
Installment pay	4.11
Bank Loan	3.69
After Sales Service	3.42

3.11. *Preference between apartment and land:* Many customers have a dilemma between purchase of an apartment or a land. Some think that purchase of an apartment from a developer company is advantageous. Some consumers think that purchase of a land and then construct own building is better. But it came out so that majority of the customers, around seventy percent prefer purchase of an apartment to a land. The reasons mentioned were: purchasing apartment has no construction hassle and also saves one's time needed to oversee a construction oneself; Increasing, skyrocketing land price makes it difficult to purchase a land; increased and volatile price of construction related raw materials is also one reason, that is, once started with a predetermined budget it is difficult to manage with own investment. On the contrary 37% consumers prefer purchase a land and construct own building. The reasons stated were: Control over asset; proud owner of a land and building; it is a source of income etc.

Table 11: Consumers' preference about Land or Apartment Purchase		
Land vs. Apartment	**Frequency**	**Percentage**
Purchase an Apartment	104	69%
Purchase a Land and construct own building	46	31%
Total	**150**	100%
Customers were asked to give one option only as a preference for one over another.		

3.12. The risk factors perceived by the customers in purchasing apartment: It means what the factors are that consumers fear about purchasing apartment from a real estate company. The result was totally shocking. Almost all respondents were found to be equally concerned about the following factors:

Table 12: Perception of Risk factors	
Risk factors	**Mean score**
Timely handover of apartment	4.81
Low quality of fittings and raw materials.	4.65
Proper apartment allotment according to the diagram	4.37
Breach of commitment by the developer company	4.61
CDA approval	4.44
Utilities approval (water, gas, electricity, city corporation)	4.52

5. Policy Implications and Conclusion:

This study can be considered as a little contribution to the understanding the real estate industry, particularly in the second largest and important city – Chittagong and particularly from the customer perspective.

Policy makers can take the factors into consideration while making related regulatory policies and framework. **Government** regulators should form appropriate policy to safeguard the interests of the customers. *For example, government should provide clear easy to understand guideline for the citizens about how to evaluate the quality of the projects, how to check the authenticity of the projects and the companies, some cost estimation to compare the market price etc.*

On the other hand, **real estate companies and developers** can take these factors into consideration while making their business strategy and marketing strategy. This study will help them to understand consumers better by knowing their preferences in different dimension. In many cases consumers have several negative ideas about the developer company such as late handover, low quality, allotment problem etc. That's why it is very important for the developer company to overcome these problems and make a positive image in the consumer mind.

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