



# A Study on Factors Affecting the Preference for Luxury Condominium Apartments in Colombo Metropolitan Area, Sri Lanka

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**Abstract**—The concept of real estate becomes broader due to human activities. Among the different types of real estates, residential real estate gets more significant because it directly combines with the human basic needs. When it comes to luxury condominium apartments, it plays a vital role and it is given the shocking comfortableness to the residence. Not only Sri Lankans, intentional developers invest lots of millions but they have failed many times because they are unable to attain customer preference. Therefore this study attempts to reduce and resolve the occurrences that they face when developing the luxury condominiums. A quantitative study was carried out and data were analyzed by using SPSS version 20 computer software and hypotheses were tested using non-parametric test (Spearman's correlation analysis). For the future studies the results of the modeling and analysis are presented such that they can be used as an aid to their projects.

**Key Words**— *Environment and Condominium General Attributes, Financial, Luxury Condominium, Preference, Reputation of the Project Team, Security.*

## I. INTRODUCTION

Real-estate can be described as a land or an anything fixed, immovable, or permanently attached to it such as appurtenances, buildings, fences, improvements, roads, shrubs, and trees (but not growing crops), sewers, structures, utility systems, and walls [3]. Property development is the process of enhancing the value of real

estate by making physical changes and the improvements there to through the application of capital and entrepreneurial skills by a property developer [10].

In today's rapidly changing world, there is a drastic change in the life style of the people. People prefer to have a comfortable living with modern dressing styles and rich looks, lavish food, air-conditioned rooms, luxury cars and homes with all facilities to fulfil their lifetime ambition of owning a beautiful house. Thus, these prospective customers for the condominiums directly influence when developing condominiums [7].

Within Sri Lanka, condominiums have been developed over the last decade very rapidly, especially after the year of 2009 where the war was ended. Condominiums can be seen largely in Colombo city as it is the central business district of Sri Lanka. In earlier times, only the local developers were involved in developing condominiums. But after the war season, the peaceful background as well as the supportive government decisions attracted international developers as well.

Most recently international developers initiated these developments targeting the people who will move from rural areas to urban areas, international migrations and high-net-worth individuals [11]. When demanding luxury apartment potential buyers will consider several parameters. Such as;

- Convenience in buying.
- Quality.
- Modern facilities.
- Financial facilities.
- After sales services.
- Floor area.
- Security.
- Prestige value.
- Peaceful neighborhood.



- Aesthetic appearance.
- Good location.
- Affordable prices.
- Time saving.
- Secured parking.
- Flexible payment schemes.

If the potential buyers are not satisfied with the parameters affecting for the preference of luxury condominium apartments, then they will avoid purchasing the condominium apartment which will generate negative impact on the developer.

## II. RELATED WORK

Human being is a unique creation of this world. As humans, people need to have crucial things for continued existence. Food, clothing and shelter are basic amenities of living for people. For shelter people need a house [7].

Origin of Condominium Properties is a common misconception that the idea of condominium ownership comes from ancient Rome. Further in Europe, the concept has been available for many centuries. The concept has existed in South American countries for at least two centuries. For all the grandeur in laying claim to such ancient history, condominium legislation as it has been coined and adopted in the United States is still so recent.

According to Law of Sri Lanka under Section 2 Apartment Ownership Law shall apply to 3 categories of properties such as Condominium Property, Provisional Condominium Property, and Semi-Condominium Property. The first legislation enacted for condominium properties in Sri Lanka was Condominium Property Act No.12 of 1970. This was repealed and replaced by the Apartment Ownership Law No.11 of 1973 enabling the registration of multi-story properties capable of being divided into separate units. Time to time the apartment Ownership Law has been amended.

The purchasing decision simply refers to as the buying behavior of a product or service and buying decision is a highly complex one due to the variety of inter-related influences of economic and behavioral factors [2]. When

considering housing as a real estate product, it is argued that there is a complex buying behavior in housing market [2].

A “condominium” refers to a form of legal ownership, as opposed to a style of construction [4]. Condominiums in Sri Lanka can be categorized into three namely super luxury, luxury and semi luxury based on the facilities supplied [11].

TABLE I: TYPES OF CONDOMINIUM PROPERTIES, ACCORDING TO FACILITIES SUPPLIED

FACILITIES	TYPE
24 hour security	Super Luxury
CCTV & Intercom System with panic button for emergencies	
Fire Protection and Detection System	
Garbage Disposal Systems	
Elevators	
Hot water Geysers	
MATV Connection	
Children' Play area	
Vehicle Park	
Private Balconies	
Air conditioned Apartment blocks	Luxury
Swimming Pool	
Restaurant and Bar	
Gymnasium	
Laundry	
Central Gas supply system	
Children's Pool	
Games Room	
Convenience Stores	
Video Centre	
Changing and meal room for drivers	Semi-Luxury
Walking Track	
Squash Court	
Salon	
Sauna	
Standby Generator	
Service Elevator	
Three-tier security system	

Purchase decision of a house is one of the significant economic decisions of a household. And also, it is stated that the ancient joke regarding real estate is that location, location, location is the most three important factors for the choice of a house [2].

There is a significant demand for condominiums in the city of Colombo due to the convenience in buying rather than constructing and due to the lack of land availability. Further the customers are encouraged to buy condominiums due to several factors such as modern facilities, aesthetic appearance, good location, affordable



prices, secured parking facilities, flexible payment plans, prestige value and secured and peaceful neighborhood [11].

Price of housing, mortgage interest rate and personal disposable income have an impact on the buying decision [1]. Location of development, Characteristics of the building, Price, Recreational facilities, View, Marketing, Financing, Management, Surrounding area, Investment and Reputation of the developer will influence to the demand [1].

There is a deep impact on the purchasing decision from Price, Quality and Location [9]. Further there are 5 major important factors affecting the preferences of residential housing in gated community, and followed by several sub factors that affect for the preference of housing such as financial factor (Amount of interest rate, Maximum monthly repayment, Value of house, Ability to save deposit), distance factor (Proximity to city, work, shopping centre, central business district), property physical factor (size of the house, number of bed rooms available, well-built house perception, type of house), environment factor (conditions of neighbourhood, attractiveness of the area, security available over the crime, effects of traffic noise) and subjective norm (Builder's reputation, advice from family members, perceived risks of the house, restriction of the house) [6].

### III. SCOPE OF THE RESEARCH

This study spotlights to investigate on the factors affecting the preference for purchasing luxury condominiums by potential buyers with special reference to Colombo Metropolitan area. An attempt has been made in this research the demographic background of the potential buyers and the various factors affect for the preference in selected three cities as Bambalapitiya (Colombo 04), Kollupitiya (Colombo 03) and Slave-Island (Colombo 02).

### IV. METHODOLOGY AND DISCUSSION

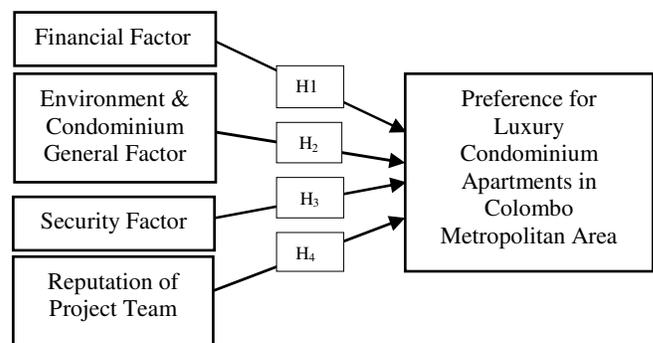
The study had been conducted with the main objective of studying the factors affecting to the preference for luxury

condominium apartments in Colombo Metropolitan Area. Target population of the research can be identified as potential customers who prefer to buy or have an idea to buy luxury condominium apartments in Colombo Metropolitan Area. The sampling element was considered both males and females and they all had to meet the criteria of preferring to luxury condominium apartments and visiting selected property development sales offices. And the sample method was a non-probability sampling method (Judgmental Sampling). The sample was consisted of 100 respondents. The primary data was collected via a structured questionnaire, and it was a self-administered questionnaire. The secondary data were gathered from websites, Colombo Municipal council, records of Condominium Law and Condominium Management Authority.

The conceptual framework was used as an analytical tool with four variables and contexts. It was used to make conceptual distinctions and organize ideas that were affecting the preference for luxury condominium apartments. Thus, it identified the variables required in the research investigation.

#### Independent Variable

Factors Affecting for the Preference



Modified: Authors (2017)

Source: [2], [8], [11]

Figure 1: Conceptual Framework

By testing the hypotheses, the relationship between independent and dependent variables has been identified.



H<sub>1</sub> - There is a relationship between financial factor and preference for luxury condominium apartments in Colombo Metropolitan Area.

H<sub>2</sub> - There is a relationship between environment & condominium general factor and preference for luxury condominium apartments in Colombo Metropolitan Area.

H<sub>3</sub> - There is a relationship between security factor and preference for luxury condominium apartments in Colombo Metropolitan Area.

H<sub>4</sub> - There is a relationship between reputation of project team and preference for luxury condominium apartments in Colombo Metropolitan Area.

## V. EXPERIMENTAL RESULTS

### Descriptive Analysis

As can be seen demographic background of the buyers from Table 2 the majority of respondents (71%) were male. Most of them were married (78%) and well educated and holding a higher household income level of 0.7mill. to 7mill. (55%). As well as majority of the respondents were business owners which accounted for 44% whereas lowest rate was 12% as government employee. On the other hand, the majority of 27% was the house hold size of 4 members out of the total sample. 88% of the respondents buy a luxury condominium apartment for their living purpose while 10% purchase it with the intention of investment. A majority of 40% is willing to have a 3-4 bed room apartment.

TABLE II: DEMOGRAPHIC BACKGROUND OF THE POTENTIAL BUYERS

	Demographics	Freq	%
<b>Gender</b>	Female	29	29.0
	Male	71	71.0
<b>Age</b>	20-30 Years	11	11.0
	30-40 Years	24	24.0
	40-50 Years	27	27.0
	50-60 Years	27	27.0
	Above 60 Years	11	11.0
<b>Marital Status</b>	Single	22	22.0
	Married	78	78.0

<b>Monthly Household Income (Rupees Million)</b>	Below 300,000	8	8.0
	0.3 - 0.7	17	17.0
	0.7 - 3	32	32.0
	3 - 7	24	24.0
	Over 7	19	19.0
<b>Educational Level</b>	High School	6	6.0
	Diploma	6	6.0
	Bachelor Degree	22	22.0
	Master Degree	27	27.0
	Doctorate Degree	22	22.0
	Professional Courses	17	17.0
<b>Profession (Sources of Income)</b>	Government Employee	12	12.0
	Private Company Employee	22	22.0
	Employee	44	44.0
	Business Owner	22	22.0
	Other Profession		
<b>Household Size (No. of Family Members)</b>	2	17	17.0
	3	23	23.0
	4	27	27.0
	5	16	16.0
	6	17	17.0
	<b>Purchase Intention</b>	Living Purpose	88
Investment Purpose		10	10.0
Any Other/for Both		2	2.0
<b>Interested Apartment Type</b>	1-2 Bed Room	28	28.0
	3-4 Bed Room	40	40.0
	5-6 Bed Room	14	14.0
	Villas, Duplexes, Triplexes, Four Flexes	18	18.0

Source: Survey Data, 2017

### Inferential Analysis

**Reliability Test** - In order to measure the appropriateness of measurement scale the scale has been checked for its reliability and validity. The reliability was tested using Cronbach's Alpha. As per the table Cronbach's alpha value took an overall value of each exceeded 0.7 and reputation of the project team took highest value of the Cronbach's alpha says 0.892 and confirming the data was valid for further analysis.

TABLE III: RELIABILITY STATISTICS

	Cronbach's Alpha	N of Items	
Dependent Variable	.925	6	
Independent	Financial Factor	.794	6
	Environment and	.793	6



Variables	Condominium General Factor		
Security Factor	.835	5	
Reputation of the Project	.892	4	
Team Factor			

Source: Survey Data, 2017

**Factor Analysis** - The appropriateness of factor analysis is measured here using Kaiser-Meyer-Olkin Measure of

	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Preference mean	.384	100	.000	.676	100	.000
Financial mean	.438	100	.000	.582	100	.000
Env. & con.gen. factor mean	.398	100	.000	.645	100	.000
Security factor mean	.398	100	.000	.645	100	.000
Rep. of the pro. team mean	.379	100	.000	.677	100	.000

**Sampling Adequacy Test (KMO Test).** Kaiser (1974) recommends accepting values should be greater than 0.5 as acceptable. Furthermore, Value between 0.5 and 0.7 are mediocre, value between 0.7 and 0.8 are good, values between 0.8 and 0.9 are great, values above 0.9 and values below 0.5 as unacceptable.

TABLE IV: KMO AND BARTLETT'S

Dependent Variable	Bartlett's Test of Sphericity (Sig.)	Sampling Adequacy
Dependent Variable	.000	.831
Independent Variables		
Financial Factor	.000	.738
Environment and Condominium General Factor	.000	.583
Security	.000	.788
Reputation of the Project Team	.000	.617

Source: Survey Data, 2017

**Normality Test** - The normality test results indicated whether should reject or should not reject the null hypothesis that the data came from a normally distributed population.

- Normality Test,

$H_0$  = Variables are Normally Distributed

$H_1$  = Variables are Not Normally Distributed

Decision Rule:

Reject  $H_0$ , If "P value" < " $\beta$  value"

$P = .000$   
 $\beta = .05$  } **P <  $\beta$ ;  $H_0$  Rejected**  
(It means variables are Not Normally Distributed)

There are two well-known tests of normality, namely the **Kolmogorov-Smirnov Test** and the **Shapiro-Wilk Test**. The **Shapiro-Wilk Test** is more appropriate for small sample sizes (< 50 samples) but can also handle sample sizes as large as 2000.

TABLE V: NORMALITY TEST

Source: Survey Data, 2017

According to the Table, the following normality could be analyzed in 95% confident level,

Preference -  $.000 < 0.05 = \text{Reject } H_0 \rightarrow$

Financial -  $.000 < 0.05 = \text{Reject } H_0$   
Environment  
& Con.General -  $.000 < 0.05 = \text{Reject } H_0$   
Security -  $.000 < 0.05 = \text{Reject } H_0$   
Reputation of  
Pro. Team -  $.000 < 0.05 = \text{Reject } H_0$

The dependent variable preference was not normally distributed and all the four independent variables were also not normally distributed. As a result, for the correlation analysis the non-parametric test Spearman's correlation was used.

**Correlation Analysis** - Correlation analysis was related with determining relationships among variables. The correlation coefficient was a measure of linear association between two variables. Values of the Correlation Coefficient were always between -1 and +1.

The dependent and independent variables being not normal researcher adopted Spearman correlation to



identify relationships between the dependent and independent variables.

According to the Correlation Analysis,

$H_0$  = There is No Linear Relationship between Independent and Dependent Variable.

$H_A$  = There is a Linear Relationship between Independent and Dependent Variable.

Decision Rule:

Reject  $H_0$ , If "P value" < " $\beta$  value"

$P = \text{less than } .05$   
 $\beta = .05$

$P < \beta$ ;  $H_0$  Rejected (There is a Linear Relationship between Independent and Dependent Variable)

TABLE VI: SPEARMAN'S RHO CORRELATION

	Spearman's rho Correlation Coefficient	Sig. (2-tailed)
Financial factor	.895*	.000
Environment & condominium general factor	.842*	.000
Security factor	.892*	.000
Reputation of the project team factor	.975*	.000

\* Correlation is significant at the 0.05 level (2-tailed)

Source: Survey Data, 2017

Hypothesis to test correlation

$H_0$  = There was no relationship between the factors and preference of luxury condominiums.

$H_A$  = There was a relationship between the factors and preference of luxury condominiums.

According to the table the P value was 0.000 under the confidence level of 95%. So as the P value was less than  $\beta$  value, it made the  $H_0$  rejected.

$P = .000$   
 $\beta = .05$

$P < \beta$ ; ( $0.000 < 0.05$ )  $H_0$  Rejected

As per the results there was a positive relationship between the dependent and independent variable.

**Mean Response Value Comparison** - Some factors that were identified in literature survey as very crucial in preference of a luxury condominium apartment were excluded by the factor analysis due to the bias way of receiving responses when compared to other factors. Accordingly considering this scenario response mean comparison was carried out and no any factor or sub factors were excluded.

TABLE VII: RANKING OF FACTORS AS PER MEAN RESPONSE VALUES

Factor	Mean response value	Rank
Reputation of Project Team	4.634	1
Financial Factor	4.588	2
Environment & Condominium General Factor	4.573	3
Security Factor	4.566	4

Source: Survey Data, 2017

## VI. CONCLUSION

To conclude, the result of the study reveals that Reputation of the project team factor gets more important while other factors follow and show positive linear relationship between the preference and the factors affecting for the preference. There is no significant consideration for one factor and need to similar attention for all four factors; Reputation of Project Team, Financial Factor, Environment & Condominium General Factor and Security Factor.

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