Real estate market in Romania and the growth of new residential developments

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Abstract: This paper presents the results of a quantitative marketing research conducted on Romanian people who bought a new apartment in the past three years. The purpose of this research is to understand the consumer behaviour, their attitudes and opinions regarding the most important criteria they take into consideration in the decision-making process of buying a new property. This article summarizes the results of the research.

Key-words: real estate, quantitative research, buying new apartments, buying process, consumer behaviour, attitudes towards financing sources, residential development

1. Introduction

The development of the real estate market and the sales records of the renowned real estate projects in the country are a daily topic of discussion in Romania and this is proven by the average sales of new apartments which surpassed 80 apartments/month in the main cities like Braşov, Bucureşti, Cluj and Timişoara.

This research has the purpose to identify the methods used by real estate consumers to purchase new apartments and to determine the most important criteria that buyers utilize when they buy a new home.

The main purpose of this paper is to examine the new real estate market in Romania from the perspective of opinions, attitudes and consumer behaviour.

2. Literature review

Most consumer behaviour studies focus on the decision-making process of the consumer. The utility theory in economy and the attitude theory in social psychology are similar and they represent the basis of the process of choice and of the decision-making process of the consumer.

Consumers purchase goods and services for the benefits they obtain from using them.

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Consumer behaviour studies identify the impact of the situation elements in the consumer behaviour and individual diversity. Most real estate acquisitions are considered goods that need a high level of involvement which translates into taking a complex decision. Consumer behaviour studies the psychological state and the behaviour of individual consumers from the point of view of their need for information, assessment of the alternatives, acquisition and the final assessment of the consequences. The acquisition of goods and services is preceded by mental information processing that involves a cognitive function in the forming of beliefs, and also an emotional component in the development of negative or positive attitudes, as well as a reaction which motivates the consumers to choose well and to make the purchase.

3. Material and methods

For this research, a poll system was used, and the data collecting instrument was a questionnaire that had 9 questions about the new apartments customers preferences and 6 questions to characterize the respondents. The questionnaire was uploaded to Google Docs and had open access for everyone interested in the topic.

The research took into consideration all the customers from Romania that bought a new apartment in the past three years. Because the size of the documented population wasn't precisely known, we used a non-probability sampling technique, the snowball sampling. This sampling method involves primary data sources nominating another potential primary data source to be used in the research. In other words, the snowball sampling method is based on referrals from initial subjects to generate additional subjects. Therefore, when applying this sampling method, members of the sample group are recruited via chain referral.

Data collection took place between January 5th-February 10th and the sample involved 392 respondents.

Because we used a non-probabilistic technique, the sample is not representative at a national level, but taking into consideration the high number of respondents, it offered us significant data about the customers who purchased apartments in new residential projects. The sample had 54% women and 46% men, 87% of the respondents coming from urban areas and 13% from rural areas. The respondents with higher education were best represented in the research, 63,6 % of them having a college degree and 17,3% having postgraduate studies. For data analysis, we used SPSS Statistics and Microsoft Excel.

4. Results and discussions

Research objectives were in close connection with the established hypothesis and with the main topic, "Attitudes, behaviours and opinions of customers who purchase apartments in new residential projects".

Financing sources used by respondents upon buying a new house
From all the available sources of financing, the method that was most frequently used by the respondents was the „First house" credit which is subsidized by the Romanian government.

This particular credit program was accessed by 61,4% of the respondents when they bought a new house. The second most preferred option was cash payment, 19,8% of the subjects used this as a payment method for their new house. The last two options were the normal credit loan, which was accessed by 13,8% of the respondents, and the new credit option, monthly payments directly at the real estate developer was preferred by 5% of the subjects.
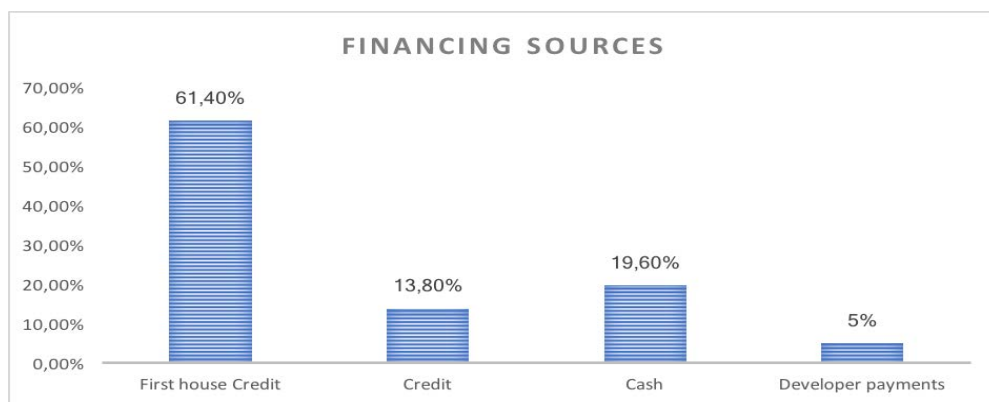

Fig. 1. *Financing sources for the acquisition of a new apartment*

Important characteristics of the process of buying a new apartment
Respondents were asked to rank on a scale from 1 to 5 the most important characteristics they took into consideration when they bought their new home.

The results reveal the fact that "price" is the most important aspect when choosing a new apartment, followed closely by the "level of comfort" and by the "proximity to the workplace" The subjects weren't influenced in their decision-making process by the "reputation of the real estate developer" and the "proximity to the central area" – variables that ranked fourth and fifth. We notice a really small difference between the first variable" price" and the second variable "level of comfort" (Fig.2.), but we cannot make any assumption on this distance, taking into consideration the fact that the ordinal scale doesn't give us any clue about the

distance between the values, allowing us to interpret the gross order and not the relative positional distances.

Descriptive Statistics		
	N	Mean
Price	262	1.885
Level of comfort	264	1.893
Workplace proximity	265	2.63
Developer reputation	262	3.32
Proximity to the central area	259	3.54
Valid N (listwise)	252	

Table 1. *Important characteristics used in the buying process*

Reasons that led to the purchase of a new apartment
The subjects had the possibility to choose from a variety of answers. Of all the 281 respondents who answered this question, 44,5% bought a new apartment because they were "paying rent". The variable "living with parents" was mentioned by 19,9% of the respondents and the "low interest rates" was the reason why 12,1% of the subjects purchased a new home.

Fig. 2. *Main reasons for buying a new apartment*

Criteria used in the consumer buying process of a new apartment
The respondents were asked to allocate 100 percent regarding the importance of the criteria used in the decision-making process of their new apartment. Of all 392 answers, we recorded a number of 315 viable answers, and for the data interpretation we used the proportional constant-sum scale (Fig.3.). The average recorded for the answer category regarding the consumer preferences was assessed in a decreasing order, meaning that a higher score showed a higher preference.

The "project deadline" was the most important criterion used in choosing the residential project, followed by the "location" of the project, the "apartment structure" and the "floor" at which the apartment is located - which was the least important criterion that subjects took into consideration when they bought a new apartment.

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Project deadline	315	1	100	39.71	25.844
Location	316	1	100	31.81	24.089
Structure	316	1	100	30.10	25.377
Floor	316	1	100	22.41	22.229
Valid N (listwise)	315				

Table 2. *Criteria used in the consumer buying process of a new apartment*

A percentage of 56,4% of the respondents had to wait 12-24 months from the signing of the pre-contract to the moment when they received the apartment, 16,9% waited 6-8 months and 23,9% had to wait less than 6 months for the keys of their new home.

All in all, 76,3% of the respondents had to wait over 6 months from the signing of the pre-contract to when they actually moved in the apartment and we can conclude that the demand is higher than the supply of new apartments in Romania and that most of the subjects bought an apartment in a development phase.
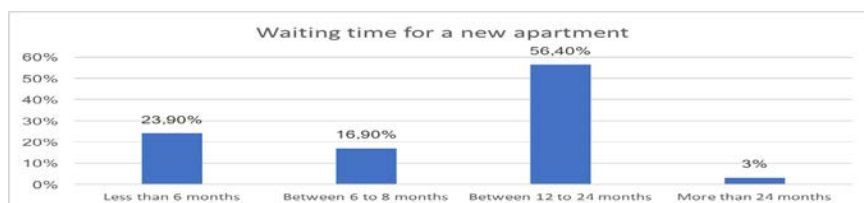

Fig. 3. *Waiting time to enter the possession of a new apartment*

5. Conclusions

The results of the research are divided into many conclusions regarding the opinions, attitudes and consumer behaviour.

Regarding the financing sources people go to when they buy a new apartment, we acknowledged that 61,4% of the respondents applied for the "First House" credit program.

The main reason that led to the purchase of a new apartment for most of the subjects was the fact that they were paying rent. 44,5% of the respondents bought a new house for that reason alone and this confirms an intercommunion between the "First house" credit program and the acquisition of a new apartment, because by purchasing an apartment through the government program the monthly payment to the bank is actually smaller than rent to a similar house.

The customers that bought a new apartment considered the proximity of the new construction to the workplace as the most important advantage. Regarding the most important criteria in the decision-making process, subjects responded that the most important one was the deadline of the project and the least important criterion they took into consideration was the floor at which the apartment was situated.

When asked about the most important characteristics of the apartment, the subjects answered that the price of the apartment was the most important, followed by the level of comfort and the least important criterion was the proximity to the city centre.

The research concluded that the demand for new apartments is higher that the supply, 76,3% of the respondents had to wait over 6 months from the signing of the pre-contract until they could move in their new house. Taking into consideration the fact that only 23,9% of the respondents were able to move into a new apartment in less than 6 months, we can definitely conclude that there is only a small number of new apartments available on the market.

6. References

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