Qualitative Study on Millennials’ Housing Preferences in Jakarta, Indonesia

Raden Aswin Rahadi\textsuperscript{a}, Yunilson Mulyano\textsuperscript{b}, \textsuperscript{a}School of Business and Management, Institut Teknologi Bandung, \textsuperscript{b}School of Business and Management, Institut Teknologi Bandung, Email: \textsuperscript{a}aswin.rahadi@sbm-itb.ac.id, \textsuperscript{b}yunilson_mulyano@sbm-itb.ac.id

This paper aims to investigate the housing factors that affect millennials when they purchase a property. The housing factors used for the housing preferences are location, accessibility, price, facilities, physical attributes, design and aesthetic aspects, developer reputation and land ownership. The methodology used in this research is a qualitative study with conducting a semi-structured interview with several informants. The questionnaire was developed by reviewing the literature study and the author's interpretation. After conducting the interview, the entire informants agreed on the housing factors stated in the conceptual model. The informants would consider those eight factors before purchasing a property. The findings of this research should be useful for stakeholders like the government, real estate developers, and consumers. The reasons and ideas from the informant could be used as an input for the government to set policies regarding affordable houses. The real estate developers also could use this research to make a business strategy to develop the millennials market segment. Finally, for the consumer, this research could be a guide to help the customer find out about their preferences toward housing.

Key words: Housing, Preferences, Millennial, Real Estate, Indonesia.

INTRODUCTION

Jakarta, with the total area of 662 km\textsuperscript{2} has grown into a metropolitan city with 10.47 million residents. Among them, the millennial-aged between 22 – 39 years old has become the most significant proportion of the Jakarta population, according to the Indonesia Central Bureau of Statistics. This significant number of population creates the demand for housing in Jakarta to keep increasing. Meanwhile, the supply is limited. This condition led to the housing price in Jakarta getting expensive. According to the World Bank Report, the house price to income ratio
in Jakarta is higher than Singapore, New York, London, and Tokyo (Mulyano et al., 2020). The high price of the property itself and the low-income level of millennials in Jakarta could affect the high number of the ratio.

Furthermore, less than half of Jakarta's citizens have their own house with only 47.85% of the population. It means the other half would rent a house or live outside the city for a more affordable house. Many employees who work in Jakarta live in the suburban area because they simply could not afford to buy a house inside the city due to the high price of a property. The low-middle income consumers also find it challenging to apply the mortgage loan since the bank would require them to pay a hefty amount of down payment in the beginning. Due to this condition, Jakarta turns very crowded in the workdays and has traffic all across the city.

![Figure 1. House Price to Income Ratio](image)


Then, many young people in Asian countries, including Indonesia, tend to delay buying property until they are aged in their 30s (McKee, 2012). According to Indonesia Millennial Report 2019 by IDN Times, 64.9% millennial did not own any houses. Millennials realise that their ability to buy a house is limited, so most of them prefer to buy a house with a mortgage.

Therefore, this study aims to examine deeper the preferences for millennials before buying a house and how they are thinking about the housing determinant factors. This study is using the conceptual framework from the previous study as the fundamental question about the housing preferences. The result of this study could be essential for the government, real estate developers and also the consumer him/herself to explore more about housing preferences for millennials.
LITERATURE REVIEW

Millennials

Millennials are those born between 1981 and 1997 and also considered as the Generation Y, the successor of Generation X, who were born between 1965 to 1980 (Moos et al., 2018). Millennials also have characterised those who entered the labour market in the 2000s (Pyöriä et al., 2017). They also have higher education levels compared to the previous generations. Furthermore, Millennials value the time with family and leisure rather than employment. They want to have less commitment to a single employer and possess more value on personal growth and development opportunities. In the labour market, Millennials experienced increasing uncertainty because of the financial crisis that happened in late 2008 – 2009. (Pyöriä & Ojala, 2016).

One of the unique characteristics of the Millennials compared to the Baby Boomers, and Gen X is the advance of using technology, communication and media. Since they grew in the age of technology, the Millennials are more creative, innovative and productive. They are also easily familiar with the development of technology and make fair use of it in terms of productivity. According to the Gender Statistic published by the Ministry of Women Empowerment and the Child Protection Republic of Indonesia in 2018, the Millennials will dominate the number of population with 33.75% starting in 2020 when the demography bonus occurred. Then, 55% of the Millennials will live in an urban area because of the shifting in culture, norms, habit and mindset among them. This shift would increase the demand for housing in urban areas, while space availability is limited.

Previous related studies

The author created synthesis from literature reviews related to the housing preferences and summarised it into a conceptual model. The conceptual model consists of 8 factors that affected the housing preferences. Those factors are: location, accessibility, price, physical attributes, facilities, design, developer reputation and land ownership (Mulyano et al., 2020).

Location

The location is where the property is located, whether inside the city or in the suburb (Olanrewaju et al., 2017). People seek the specific location of the house because they have an intended purpose, such as the distance to work, school, or market. Location is also considerably more important than the house itself, and consumers prefer easy accessibility to reach their residence (Kauko, 2006). The distance between the house and daily activities that take place, plays a vital role in making a decision when buying a home. The distance from the house to the health care facilities, like hospitals and apothecaries, also influence the decision making of buying a property (Olanrewaju et al., 2017). In Jakarta, considering the drainage system is not
helpful during the raining season, flood-free factors is also a significant concern for the consumer to determine the housing location (Rahardjo et al., 2015). It makes the altitude level of location also affect the housing preferences.

**Accessibility**

The accessibility of a particular location is defined by the easiness to enter and exit the area using many transport systems and land-use patterns (Zondag, B. and Pieters, M, 2005). The main road, toll road, and access to public transportation are the factors that are affecting consumers in making a decision to buy a house in a particular location. The integration between housing and transportation is the vision of urban development since it is getting harder to drive private vehicles in the city. Ease of accessibility means that there is more than one access to entrance and exit available to reach the real estate location (Smersh, G. and Smith, M, 2000). The more access in real estate development will help consumers get faster to the destination and shorten the time used in their movement (Rahadi et al., 2020). In the case of Jakarta, the proximity to the workplace, school, market, and other community centres are essential because the public transport facility and other options of transportation mode in Jakarta are inadequate (Rahardjo, H. et al., 2015).

**Price**

Price is one of the most influencing factors for the consumer's decision-making process when purchasing a product (Purwanegara & Rahadi, 2017). Price is determined by combining several factors in housing development. People usually prefer to have as many alternatives as possible. However, they are becoming less interested if it means an increase in the price (Hofman et al., 2006). The increase of the house prices is a consequence of the tendency for jobs opportunity, especially the type of employment appealing to well-educated Millennials, to concentrate in large urban centres with strong global connections (Moos et al., 2018).

The higher amounts of price consumers are willing to pay for a house can be expressed as a benefit to the projects (Delgado & Troyer, 2017). The limited supply of land, while the demand for housing is increasing, makes the house price spike. On the contrary, the increase in income could not match the housing price. This condition makes an imbalanced situation for the real estate industry, as the price is adjusted and controlled by real estate developers (Rahadi et al., 2015). The high price of real estate and the low-income level of the consumer can lead to the signs of an impending economic crisis and the possibility of the real estate bubble because the consumer could not afford the high priced houses (Colombo, 2013).

Government intervention has a vital role in ruling about housing development, especially for low-income consumers, since private developers hardly have incentives to build low-cost housing (Hulchanski and Shapcott, 2004). A subsidised mortgage loan in Indonesia, *Fasilitas Likuiditas Pembiayaan Perumahan* (FLPP) is one of the solutions that the government provides
to reduce the housing backlog. This mortgage loan scheme gives a long term payment with a low-flat interest rate, which is helpful for low-income consumers.

Physical Attributes

The physical attributes are the first thing noticed by the consumer when looking for a house (Rahadi et al., 2015). In this study, physical attributes are the category for any physical utilities attached to the building, like the number of floors, technical equipment, structures, building qualities, floor layout, and others. Lot size and area, number of rooms, electricity supply, the presence of garden and number of floors have been classified as a leading aspect when customers were choosing the house (Clark & Onaka, 1983). Water supply and green environment features also become an essential indicator that affects housing preference (Luttik, 2000). The use of materials and products that intensify energy efficiency, provide natural lighting inside the rooms, provide a sound insulation system, and offer non-allergic qualities have the priority to be purchased by consumers for better indoor environmental quality features (Spetic et al., 2005). In terms of vertical living like an apartment or condominium, the higher floor level provides more luxuries like less noise, much fresher air condition, and magnificent scenery from the upper levels (Hanif et al., 2015).

Facilities

Facilities are the housing environment that could offer consumers to enrich the likeliness to live in the developed real estate. Most of the apartment buildings are located in the urban centre, where many facilities are nearby and reachable (Churchman, 1990). Environmental ambiences, traffic safety, and environmental safety are the facilities that are looked at by consumers in determining a house (Rahmadaniyati et al., 2016). An advanced security system like a security patrol or one gate residence also becomes a factor for the consumer when determining to purchase a housing unit (Fisher et al., 2009). The more secure the area, the more likely for a consumer to live in residence. Parking space also influences consumers in determining the type of house they want to purchase. A study found that there is a high correlation between the number of people living inside a house with the total amount of cars parked in the household (Olanrewaju & Woon, 2017). The more number of family members, then the more probabilities of a household to have more than one car to accommodate the needs of moving.

Design and Aesthetic Aspects

Design and aesthetic aspects are divided into two categories, which are interior design and exterior design. Interior design, space efficiency, the material used, exterior appearance, and functionality of the rooms are the key influencing factors for consumers (Al-Momani, 2003). Interior design aspects also rule about the space maximisation and floor layout. A study reveals that consumers are willing to pay more for an exciting façade design (Riccardo & de Jong, 2010). By designing the building exterior more beautifully and responsibly, it can increase the
energy efficiency of the building and make the building more sustainable toward the environment (Rahadi et al., 2015). Façade and exterior appearance have a direct influence on house price since it is the most visible indicator that consumers would be aware of (Cetintahra & Cubukcu, 2014). Housing exterior and facade have a function that can describe the identity of the owner, which explains the aesthetic preferences, the social status, and personality of the consumers (Jusan, 2010). The importance of materials maintenance that is used for the façade and exterior is stated by some consumers, as some of them would worry the tropical weather could reduce the quality of the material used for the housing façade (Moghimi & Jusan, 2015).

**Developer Reputation**

The developer image has a role in stimulating consumers in deciding on purchasing a property. Decisions made by the consumer includes the benefit of the product, the prestige of brand name (housing), the selection of the seller (developer name), the pride using the product, and the timing and amount of transaction process (Wulandari et al., 2016). It is prevalent for property developers in Indonesia to state the branded material and products used in the advertising to attract more consumers and boost the sales of housing products (Rahadi et al., 2015). Some property developers also mentioned the name of a well-known architect in charge of the projects. Purchasing a property from a reputable developer with excellent achievement will give the consumer security regarding their investment in property.

**Land Ownership**

House ownership is one of the required documents when acquiring a building. In Indonesia, there are several certificates of a right could be owned by an individual. Each certificate has different characteristics and values that affect the particular properties. In Indonesia, the most potent right of land ownership is the Sertifikat Hak Milik (SHM). Indonesian citizens can only own SHM. The owner of SHM could sell, exchange or use it as a guarantee for a bank loan. In terms of housing, this type of right applies to a landed house.
METHODOLOGY

The methodology used in this research is a qualitative method. A qualitative analysis is conducted to answer the factors that Millennials consider before buying a property. The information will be collected with semi-structured questions and will be asked to several interviewees. The number of interviews would be stopped if the result is already saturated, which means the answer from the interviewee will remain the same from the previous interview.

The interview used in this research is the semi-structured interview. The semi-structured interviews use a guideline consisting of standardised questions, and the answer is not limited to the questions (Rosavina et al., 2019). In interviewing the respondents, the interviewer used standardised questions and issues to be asked. The interviews are not limited to the question and could be derived from the respondents’ answers. This method was developed to dig deeper into the information that had not been captured in the quantitative data. The interview also used to test the conceptual model used in this research, whether other indicators had not been found in the literature review affecting Millennials' housing preferences. A brief explanation about the research will also be told to the interviewee, so they have a good understanding regarding the interview. The informant for this interview is a random Millennial that has agreed to be interviewed. Thus, this study interviewed ten millennials as the subject for data collection, and the answers from the respondents are saturated.

After the interviews are conducted, the result is then processed and analysed using the indexing method. This method is used to categorise each response from the interviewee and match the response with the subject from the conceptual method.
FINDINGS AND ARGUMENT

The findings were gathered from the semi-structured interviews with ten respondents in Jakarta. The background of the respondents are millennials that worked or lived in Jakarta. The interview result would find the key reason whether millennials would like to live in Jakarta and determine the most influencing factors for millennials when deciding to buy a house. The analysis of each factor from the conceptual model is presented in the following paragraphs.

House Type

Based on the interview findings, the author found that several respondents answered that they prefer to live in a landed house rather than in a vertical house. The reason why they prefer to live in a landed house is because they found it more private rather than in a vertical house. They usually said it because they felt that in a landed house they feel safer since it is separated by the fences outside the house. On the other hand, space is very close between one unit to another, and they must share the same corridor with many units. This condition makes them feel that their privacy is very open to others. Another reason why they choose to live in a landed house is that with the same price as the apartment, the respondent could get a bigger space and more rooms in the landed house.

On the other hand, The other informants who want to live in an apartment stated that it is impossible to buy a landed house in central Jakarta. Moreover, living in an apartment is more straightforward than a landed house because they do not need to do the maintenance for the building. Then another reason why the respondent chooses to live in an apartment is because the location of the house near their office.

Price

Price has a vital role in determining the decision of buying a house. From the interview, the author found that price is considered as the most influential factor since it reflected the economic condition of the consumer. The price of the house will depend on other housing factors like location, accessibility, and others. The respondents tend to postpone having a house until their savings could afford the house they need. These findings support with previous study that first-time house buyers would consider the economic value of the house (Khan et al., 2017).

Location

According to the interview result, most of the respondents stated that the location should be near their daily activities like a workplace, market, and the children's school for those who have kids. This finding is in line with the result of the study by Leh et al. (2016). It is also crucial for the house to be free from floods since the disaster is widespread in a particular area in Jakarta. The respondent also felt that the customer would like to dig up the information about
the history of the land to know whether the soil condition under his house is good or not. This information could be useful for the customer if they want to upgrade or renovate their house.

**Accessibility**

Accessibility is essential for the interviewee because it made their way to the destination much more accessible. The connectivity between their house and the public transportation is an essential aspect of accessibility. They prefer to have a house integrated with public transportation like MRT, Commuter Line, or *Transjakarta* Bus. The other aspect is the wide entrance of roads into the neighbourhood and the connectivity with the main road. The closer their house is to the main road then they will spend less time to reach their house.

**Physical Attributes**

The physical attributes in these housing preferences stand for the quality of the house. The respondent also felt that the quality of the house is one of the essential aspects to be considered. They said that the safety of the building is the central aspect that physical attributes must provide. Some of the informants also stated that they would buy empty land then they would build the house from the beginning. They want to make the size of the rooms depend on their needs and maximise the usage of the land. For those who want to live in an apartment, the ability to sustain against an earthquake is very important since several earthquakes have hit Jakarta over the past years.

**Facilities**

The facilities provided by the environment of the house is also an essential aspect for the customers. The parking lots, security, parks and children's playground are some of the must-have items in the neighbourhood. Some respondents also prefer that real estate could provide the facilities that fulfill their daily needs, like markets, drug stores and clinics. Moreover, the respondent who said they want to live in the apartment said they want the facilities like a gym, swimming pool and others like in a hotel, so they could spend their free time around their neighbourhood and save more time.

**Design and Aesthetic Aspects**

Design and aesthetic aspects did not affect the housing preferences of the informants. Those who said this factor is essential said that they want a specific design or themes for their house. There is also an informant who stated how the design was affecting his preference. For them, choosing the landed house made them available to change the design that they could not do in an apartment. In contrast, the other informants who said that the design is not affecting their preferences said that they did not put special attention to the design of the building. As long as
the building is neat and clean, they are okay with the situation. This reason is also mainly because they have no design or architecture background.

*Developer Reputation*

Based on the interview, most of the informants stated that developer reputation is vital because they put more trust in a well-known developer. The most recent case happened in Jakarta was a well-known developer who could not keep their promise to their customer. This situation made the customer lose their trust in any developer and asked the developer to return their money. The lateness of handover from the developer also made the customer doubt about investing in property.

*Land Ownership*

From the interview, some of the informants said that land ownership is essential for them. They want to have the land ownership for unlimited time and could pass it through generations. The unlimited time land ownership only available for the landed house. On the other hand, the vertical house has land ownership with 30 years of possession and the option to renew it for 20 years more. On the contrary, those who are not concerned about land ownership said that they do not mind about land ownership. They argue it is okay to have a limited time on land ownership because they will not live in the same unit for 30 years.

From the analysis above, the respondents agree that price, location and accessibility are the most critical factors for them to determine their housing criteria. As mentioned in the previous study, the house price is affected significantly by the location and accessibility (Rahadi et al., 2015). A real estate that is located near the daily routine of its residents such as a marketplace, office, and school are more likely to be preferred as a strategic location. Another consideration for the location is that it has to be free from flooding since Jakarta has a record for annual flooding in a particular area. Then for accessibility, most of the respondents preferred to live in a real estate that provides access to public transportation like MRT, a commuter line or a bus stop. Access to the main road is essential also to make the residence easier to travel (Smersh, G. and Smith, M., 2000).

**CONCLUSIONS**

From all the discussions above, the housing preferences for millennials in Jakarta are described in 8 factors, which are: Price, location, accessibility, physical attributes, facilities, design aspects, developer reputation and land ownership. The respondents agreed that price, location and accessibility have a tremendous determining factor because these factors play a vital role in their daily activities. A strategic location and ease of travel made the price of the house get higher. Moreover, there are differences between the respondents who want to live in a landed house with those who want to live in an apartment. The differences came from the design
aspect, land ownership and facilities. The respondents who want to live in a landed house prefer to have a bigger space so they could gather their family members in one house.

On the other hand, those who said they want to live in an apartment prefer to have a compact lifestyle that makes them more comfortable to take care of the household. Then in the land ownership factors, most of the respondents who prefer to live in a landed house consider the ownership of the house. Some millennials prefer to live in a landed house because they owned the land and the house, and the most important thing is because the owner has no expiry date. Then for the facilities, the millennials who prefer to live in a landed house wanted a residence with parks, parking lots and children’s playgrounds. At the same time, millennials in an apartment prefer to have the facilities provided in a hotel such as a swimming pool and gym.

For millennials, the consumer in Jakarta feels that it is quite hard to find an affordable apartment in the middle of Jakarta. Because of this reason, some of them still preferred to buy a landed house outside the city, which was cheaper than the apartment. The developer also found it hard to find cheap land to develop in the middle of Jakarta. Most of the land is already owned by a big conglomerate, which is ready to develop their land. Price is not only the problem for developers, but also the location and accessibility to the real estate are the main challenges for developers to handle. Developers must find the location that is suitable to be built for real estate. It includes the permit application and the provision of the land use. Then the location also should have good connectivity. The integration between real estate and public transportation is a must to attract millennials to purchase the property. This situation led the smaller developer to find a solution to develop their real estate outside the city. Cheaper land value makes it feasible to build and sell affordable houses for millennials. Developers find the land to develop far from the city to make the price still attractive. The implications are that it took the customer quite far from their workplaces, which are in the middle of the city, and spent much time commuting. Then to push the price more affordable, developers set the standard requirement from the government about the physical attributes. It contains the minimum spaces of the property, the safety of the building, the utilities around the real estate and the interconnectivity with the primary access.

**FUTURE RESEARCH**

In this research, the housing preferences model was developed and applied to the millennial in the Jakarta area. Some future researches are possible to use and apply this conceptual model to other cities. It is also possible to elaborate more on the option of development for the housing sector, mainly aimed at the millennial. Various development alternatives would get the optimum result for millennials and reduce the housing backlog in the city.

It is also possible to adjust these housing preferences and the pricing model to find the optimum price for the property. The study also could determine the millennials preferred payment
method when buying the property. The result should be valuable for all stakeholders to formulate the policy for millennials to have a property in Jakarta.

REFERENCES


