



## PERCEPTION AND EXPECTATION OF THE CUSTOMERS ABOUT THE SERVICE QUALITY OF THE RESIDENTIAL FLAT PROMOTERS

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### **Introduction**

India's strong economic performance is the basis for the success in real estate sector. The liberal economic policies aimed at improving private participation, adopted by the Indian Government has helped in capitalising the strong fundamentals of the Indian economy which include young population, rising urbanisation and a growing middle-class population.

In today's rapidly changing world, there is a drastic change in the lifestyle of the people. People prefer to have a comfortable living with modern dressing styles and rich looks, sumptuous food, air-conditioned rooms, luxury cars and homes with all facilities/ amenities. They want to fulfil their lifetime ambition of owning a beautiful house with an aesthetical appeal and they attain the status of "customers" in the context of home-buying once they complete the transaction of purchase or occupy a residential house or apartment as an owner, such home-buying customers actually influence the demand of a construction project.

The Indian real estate sector has traditionally been dominated by a number of small regional players with relatively low levels of expertise and/or financial resources. Historically, the sector has not benefited from institutional capital; instead, it has traditionally tapped high net-worth individuals and other informal sources of financing, which has led to low levels of transparency. This scenario underwent a change within line with the sector's growth, and as of today, the real estate industry's dynamics reflect consumers' expectations of higher quality with India's increasing integration with the global economy.

In India about 91 million people shifted to cities over the last decade resulting in development of about 2,774 new cities, taking the total number of cities to 7,935. The urbanisation resulted in development of 51 million new houses in urban areas. The number of cities with population of more than 1 million increased from 35 to 53, of which eight cities have a population of more than 5 million.

The growth in Information Technology (IT) and Information Technology-enabled Services (ITeS), Banking Financial Services and Insurance (BFSI) and Manufacturing sectors resulted in significant demand for office space. Together, these three sectors occupy 75 per cent of the 375 million square feet of total office space in India. The Pan India retail real estate stock in India is about 100 million square feet. About 70 per cent of this is in the seven cities, which are Bengaluru, Chennai, Delhi, Kolkata, Hyderabad, Mumbai and Pune. Most of this space was added over the last decade. Between 2006 and 2011, 3,500 supermarkets, 260 hypermarkets, 20,000 speciality stores and 28 cash and carry stores have come up in India.

The real estate sector which is deeply linked to the economic performance is expected to be a major beneficiary in the expected strong Indian economic growth. The major drivers supporting real estate sector include urbanisation, rising income level, young population and growing number of nuclear families, and strong expected growth in the manufacturing and service sector. The share of real estate sector in national GDP is expected to increase from 6.3 per cent in 2013 to 13 per cent by 2028. In absolute terms, the size of the sector is expected to increase seven times to USD853 billion in 2028 from USD121 billion in 2013.

### **Residential Apartment Purchase Process**

A buyer will consider a number of factors when purchasing a residential apartment. The major factors are location, building size, type of unit, number of bedrooms, design and layout, amenities, facilities, view, density, developer reputation, promotional efforts, security, and convenience. Other attributes that may contribute to dwelling choices are workplace accessibility and environmental quality. In an experiment on the determinants of buyer aspirations and reservation prices of properties. The advantages and disadvantages in these factors create buyer's motivation or demonization in selecting a property.

Residential apartment purchase is a complex decision-making process which requires a buyer to pass through a number of steps. It starts with the requirement to identify product profiles, and then a search for information on the related profiles. The set of information gathered will consequently enable the buyer to evaluate these profiles based on certain criteria and hence, to make product choice before completing the purchase cycle with an after-sale evaluation.



At the evaluative level, product attributes required by a buyer are determined so that problems identified in real estate can be resolved and these attributes are evaluated in terms of elements, number and importance. Attribute elements include price level, design type, floor size, style presentation, extent of prestige, and image portrayal, for which a buyer considers them in combination during a purchase decision. Number relates to the total evaluative criteria considered in a particular purchase decision-making process while importance concerns the influence that each criterion has in the comparison process.

The accuracy of the evaluation of product alternatives is situational. One situation is where product evaluative criteria do not have any impact on product choice due to the similarity of the levels of criteria between two competing alternatives. Situational factors also affect the importance of a certain evaluative criterion. Location, for example, can be considered as an important criterion if the time factor is ignored.

### **Market Size**

The real estate sector is one of the most globally recognised sectors. In India, real estate is the second largest employer after agriculture and is slated to grow at 30 per cent over the next decade. The Indian real estate market has become one of the most preferred destinations in the Asia Pacific as overseas funds accounted for more than 50 per cent of all investment activity in India in 2014, compared with just 26 per cent in 2013.

The real estate sector comprises four sub sectors

- Housing
- Retail
- Hospitality
- Commercial

The growth of this sector is well complemented by the growth of the corporate environment and the demand for office space as well as urban and semi-urban accommodations. The construction industry ranks third among the 14 major sectors in terms of direct, indirect and induced effects in all sectors of the economy.

In the period FY08-20, the market size of this sector is expected to increase at a Compound Annual Growth Rate (CAGR) of 11.2 per cent. Retail, hospitality and commercial real estate are also growing significantly, providing the much-needed infrastructure for India's growing needs.

Private Equity (PE) investments from foreign funds in the Indian realty market increased at a Compound Annual Growth Rate (CAGR) of 33 per cent to US\$2,220 million in year ending December 2015. Deal sizes have also increased in 2015, and residential projects both luxury and affordable have attracted a substantial amount of capital. Private Equity (PE) funds and Non-Banking Financial Companies (NBFCs) in India are seen increasingly investing jointly in real estate projects, in order to hedge risk and undertake bigger transactions. Mumbai is the best city in India for commercial real estate investment, with returns of 12-19 per cent likely in the next five years, followed by Bangalore and Delhi-National Capital Region (NCR). Also, Delhi-NCR was the biggest office market in India with 110 million sqft out of which 88 million sqft was occupied. Sectors such as IT and ITes, retail, consulting and e-commerce have registered high demand for office space in recent times. India's office space absorption stood at 35 million sqft during 2015, which is the second highest figure in the India's history after 2011, and was driven by corporate implementing their growth plans. India had the strongest activity in office leasing space in Asia and accounted for half of Asia's total office leasing in third quarter of 2015, with Delhi being the most active market. Delhi's Central Business District (CBD) of Connaught Place has been ranked as the sixth most expensive prime office market in the world with occupancy costs at US\$ 160 per sqft per annum.

### **Objectives of the Study**

Based on the empirical concepts identified for the effective conduct of this study the following objectives are framed.

1. To study the demographic profile of the respondents in the study area.
2. To examine the growth and development of real estate industry in India and Tamilnadu with particular focus to Coimbatore.
3. To study the factors that affect purchase decision of residential flat in the study area.
4. To analyze the perception and expectation of the customers about the service quality of the Residential flat promoters in the study area.

The residential segment which contributes about 80 per cent to the real estate sector is expected to grow significantly over the next few decades. It is estimated that Indian cities need to develop at-least two million houses annually for the growing population. The actual number could be much higher as it does not include push in demand from re-development and shrinking size of households. Further, there was a housing shortage of about 18.7 million in 2012. Thus, India needs to develop almost 45-50 million housing units by 2028.



### **Affordable Housing**

Affordable housing in India refers to housing for the economically weaker section (EWS) and lower income group (LIG) households. This segment is expected to account for 85-90 per cent of the total residential development (number of housing units) i.e. about 40-45 million housing units by 2028. Affordable housing in India ranges from 250-650 square feet (one or two bedroom set) and typically costs between USD 8,000-17,000 per unit. Considering an average housing size of 400 square feet, India requires about 15-18 billion square feet of development in this segment alone.

### **Mid-Income Housing**

As the name suggests, the mid-income housing is for households where income ranges from USD3,000-28,000 per annum. By the year 2026, it is expected that middle class households may triple from 31.4 million to 113.8 million. The mid-income housing market is expected to account for 7 per cent of the total housing demand till 2028 which is 3-3.5 million houses. An average mid-income house is about 800-1,200 square feet (two or three bedroom set) taking the total development to about 3-3.5 billion square feet. A mid-income house can range anywhere between USD17, 000-170,000 varying across different cities.

### **Luxury Housing**

The luxury housing is the fastest growing segment among residential housing. Between 2008 and 2012, about 182 luxury projects comprising 25,570 units across top seven units were launched with a value of about USD30 billion. Many of these units were absorbed, fuelled by a strong growth in high net worth individual population. In 2012, India clocked an impressive second highest growth of about 22.2 per cent in its HNI population. It is expected that the India's HNI population would more than triple to 329,000 by 2018. Luxury housing concept in India generally refers to houses which are more than USD170,000 and are at least 1,200 square feet in size with no cap on the higher side. It is expected that India would require 1.5 million luxury houses over the next 15 years. The latest trend among luxury housing is branded residences and golf townships. Leading developers in India are collaborating with renowned global luxury brands and hotel chains to develop branded-luxury villas, flats and service apartments. The developers are scouting for new ideas to attract the HNIs' attention and luxury livings.

### **Commercial Real Estate**

The commercial real estate market comprises of office, retail and industrial segments. It is primarily dependent on growth in services (IT/ITeS and BFSI) and industrial (logistics, warehouse, and manufacturing) sectors of the economy.

#### **Office**

AIT/ITeS sector is the major occupier of office space in India absorbing 52 per cent of the new office space which came up since 2010. According to NASSCOM, the revenue from IT/ITeS sector is expected to reach USD300 billion by 2020, a growth of 177 per cent from 2012. The number of employees in IT/ITeS sector is expected to increase by 2.4 million to reach 5.1 million by 2022.

BFSI is the second largest office space occupier in India occupying about 16 per cent of the total office space. Between 2012 and 2017, the banking sector is expected to experience a CAGR of 20 per cent in their deposits, while the insurance sectors may witness a CAGR of 9.5 per cent in their premium collection.

#### **Retail**

Retailing in India is expected to increase at a CAGR of 8 per cent from USD518 billion in 2012 to USD957 billion by 2020. The organized retail is expected to increase from USD41 billion to USD191 billion during the same period. On an average, a large retail set-up generates revenue of about USD410-430 per square feet. Assuming a revenue of USD450-500 per square feet for a large retail store set-up in India, the total demand for organized retail space by 2020 could possibly reach 275-300 million square feet.

#### **Industrial**

The Indian government is taking significant measures to promote growth in manufacturing sector, a key driver of industrial real estate. Among the most prominent is the 1,483 km long Delhi-Mumbai Industrial Corridor (DMIC) which is expected to significantly boost demand for industrial real estate. The corridor would run and connect seven states in northern and western India through a multi-modal high axle load dedicated freight corridor. With technical and financial support from Government of Japan, DMIC would witness development of about 11 industrial regions (minimum area of development is 200 sq km/region) and 13 industrial areas (minimum area of development if 100 sq km/area). Following the success of DMIC, similar corridors are also planned to connect Amritsar to West Bengal (North to East) and Chennai to Mumbai (South to West). The growth in the real estate sector is expected to raise the overall expectation from the various stakeholders in the

real estate sector. However, the new expectations could require strong technical and financial support which is currently lagging in India. We believe that this gap is a promising opportunity for global organisations and professionals associated with the real estate sector.

### Current Scenario of the Real Estate Market in India

Now the India's population is above 121 crore, as shelter is one of the primary needs of the Indian people, so this sector is growing in drastic way. Most of the citizens are ready to purchase their own home. This segment is highly influenced by economic condition of India. Owing to global meltdown, the residential real estate market in India too witnessed a shocking fall in demand and capital values. However, the sector experienced a pickup in demand during the recent period across major cities mainly attributed to improvement in economy. Residential projects across cities saw several new mid-income housing projects being launched by developers to attract potential buyers. Demand for houses mounted as the global economy improved bringing back financial confidence to the home buyers along with low interest rates. End-users, who had put their purchasing plans on hold due to the fall in affordability levels and job-related uncertainties, started booking houses. The Indian housing sector plays a pivotal role. For one, housing shortage of almost 63 million units presents both a critical stress and an opportunity. The demand for houses is expected to increase by another 26.3 million units in the next 3 years due to population growth at the current rate of growth. These statistics mandate public-private partnerships; providing incentives to form such alliances will provide an impetus. The housing sector also has a positive impact on allied industries. As per LIC Housing Finance Limited (LICHFL), 78 per cent of the sum spent on construction of a housing unit in India gets added back directly to the India's GDP. Thus industries such as building material suppliers, cement, steel, sand, timber, architectural and interior design, and financing institutions also benefit. Additionally, Confederation of Real Estate Developers Association of India (CREDAI) says currently the real estate sector employs nearly 7.6 million people. Given the total existing demand, the number of employees could increase to about 17 million by 2025. Creating projects will also increase the rate of urbanization which currently stands at 31 per cent, lower than any other developing nation.

### Opportunities and Challenges of Indian Real Estate

In India, various real estate industries are growing in a marvelous way in the presence of private areas. These areas are providing housing loans towards Indians and NRIs for fulfilling their self or business purpose. In India, most of the city like New Delhi, Bangalore, Chennai, Mumbai etc. these are main center for the business and these cities are providing more employment opportunities towards jobseekers. It is the sustained high growth rate of GDP and increasing GDP per capita in the country, providing a momentum to the Real estate demand across segments. Many things are witnessed in India for the amazing growth in this sector. The increasing rate of life expectancy, declining infant death and a high but falling birth rate in the country these situations have created a major demand for housing and infrastructure for meeting the human's primary want. An estimate shows that the present India's population is above 121 crore would touch 150 crore by 2030. Now a day all families are becoming nuclear family and most of the people are independent, they are able to meet their wants. For that reason higher personal savings and stronger investments, resultantly boosting the growth of real estate again.

As the Indian economy shows signs of substantial improvement, the commercial real estate industry is emerging from a transitional phase in 2010 to a recovery stage in 2011. Institutional-quality real estate assets in primary markets have begun to stabilize and appear to be poised for recovery. The future of real estate is full of challenges. In the commercial office segment, in spite of the huge demand, the developers may have to face heat from the ups and down of other sectors since this segment, in particular, is highly dependent on the performance of the Indian IT/ITES. Any unforeseen downturn in the business prospect of this industry would have a significant impact on the vacancy levels of the upcoming commercial office space stock in the country. Secondly, with the introduction of the SEZ policy, it is believed that a significant amount of the office space demand will be targeted in SEZs. However, the current SEZ policy does not allow the migration of existing units to SEZs, in case such migration becomes possible, the market will witness supply of a huge stock of un-used office space, which will lead to substantial crash in rental and capital values in the segment.

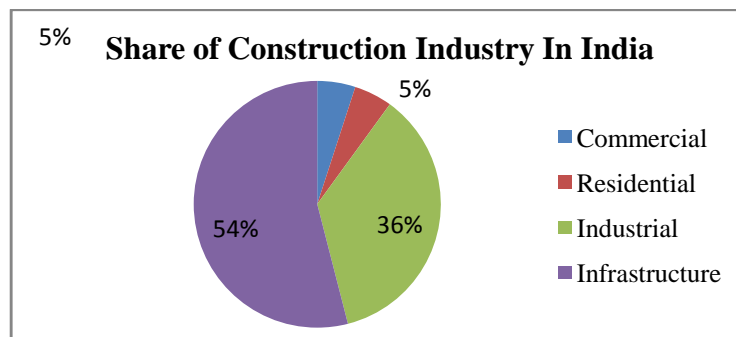
**Residential Flat and Buyer Expectation Level**

Residential Flat	Number of Respondents	Mean Score	Range	Expectation Level		
				Low	Medium	High
Below 1000 Sq. feet	52(13.00%)	83.36	70.65 to 99.52	24(46.20%)	8(15.30%)	20(38.50%)
1000-1500Sq. feet	208(52.00%)	88.34	68.61 to 99.52	48(23.05%)	44(21.15%)	116(55.80%)
Above 1500 Sq. feet	140(35.00%)	<b>88.46</b>	70.65 to 99.52	<b>24(17.10%)</b>	32(22.90%)	<b>84(60.00%)</b>
<b>Total</b>	<b>400</b>	<b>87.73</b>	<b>68.61 to 99.52</b>	<b>96</b>	<b>84</b>	<b>220</b>

Source: Survey data

The above Table-4.12 indicates that the mean expectation score of the respondents who have above 1500 sq. feet is higher than that of the other category respondents and hence it can be inferred that the respondents who belong to above 1500 sq.

feet whose expectation on the quality of services offered by the residential flat promoters is high. Table-4.12 further indicates that the percentage of respondents (17.10%) whose expectation on the services offered by the residential flat promoters is lowest and the percentage of respondents (60.00%) belong to above 1500 sq. feet whose expectation on the quality of services offered by the residential flat promoters is highest. Hence it can be inferred that the respondents from above 1500 sq. feet whose expectation on having area of flat and it can be inferred that the relationship between the having area of flat of the respondents and their expectation on the quality of services offered by the residential flat promoters is significant. The area of flat above 1500 sq. feet having persons of family category who are purchasing the more residential flats in Coimbatore city.



#### Significance Changes in Perception towards Quality of Service and the Mean Scores Within and Between the Groups

In order to find out whether the difference in the mean scores between the respondents who fall under different perception categories is significant, Analysis of Variance (ANOVA) has been applied and the results are presented in

#### Significance Changes in Quality of Service and the Mean Scores within and Between the Groups – Analysis of Variance (ANOVA)

S. No.	Variables	Sources of Variation	Sum of Squares	D.F	Mean score	'F' Value	Table 'F' Value*	Significance
1	Gender	Between Groups	68.914	1	68.914	.942	.332	Not Significant
		Within Groups	29112.848	398	73.148			
		Total	29181.762	399				
2	Age Group	Between Groups	228.426	3	76.142	1.041	.374	Not Significant
		Within Groups	28953.335	396	73.114			
		Total	29181.762	399				
3	Marital Status	Between Groups	2436.102	1	2436.102	36.251	.000	Significant
		Within Groups	26745.660	398	67.200			
		Total	29181.762	399				
4	Educational Qualification	Between Groups	473.044	4	118.261	1.627	.167	Not Significant
		Within Groups	28708.718	395	72.680			
		Total	29181.762	399				
5	Occupational Status	Between Groups	374.575	3	124.858	1.716	.163	Not Significant
		Within Groups	28807.186	396	72.745			
		Total	29181.762	399				
6	Monthly Income	Between Groups	688.578	3	229.526	3.190	.024	Significant
		Within Groups	28493.183	396	71.952			
		Total	29181.762	399				



7	Family Size	Between Groups	1742.575	3	580.858	8.383	.000	<b>Significant</b>
		Within Groups	27439.187	396	69.291			
		Total	29181.762	399				
8	Family Earning Members	Between Groups	1136.151	3	378.717	5.347	.001	<b>Significant</b>
		Within Groups	28045.611	396	70.822			
		Total	29181.762	399				
9	Year of Purchasing Flat	Between Groups	1467.668	3	489.223	6.990	.000	<b>Significant</b>
		Within Groups	27714.094	396	69.985			
		Total	29181.762	399				
10	Source of Finance	Between Groups	422.916	4	105.729	1.452	.216	<i>Not Significant</i>
		Within Groups	28758.846	395	72.807			
		Total	29181.762	399				
11	Having Total Area Residential Flat	Between Groups	1155.360	2	577.680	8.183	.000	<b>Significant</b>
		Within Groups	28026.402	397	70.595			
		Total	29181.762	399				
12	Source of Awareness	Between Groups	142.813	3	47.604	.649	.584	<i>Not Significant</i>
		Within Groups	29038.949	396	73.331			
		Total	29181.762	399				

\* Table value at 5% Level

The result of Analysis of Variance indicates that there exists a significant difference in the mean perception scores among:

- The marital status of the sample respondents.
- The respondents with different levels of average monthly family income.
- The respondents with different size of family members.
- The family earning members of the sample respondents.
- The respondents year of purchasing the residential flat and
- Having area of residential flats of the sample respondents.

### Conclusion

The term “real estate” is defined as land, including the air above it and the earth below it and any buildings or structures on it. Land plus anything permanently fixed to it, including buildings, sheds and other items attached to the structure. Although, media often refers to the “real estate market” from the perspective of residential living, real estate can be grouped into three broad categories based on its use: residential, commercial and industrial. Examples of real estate include undeveloped land, houses, condominiums, town homes, office buildings, retail store buildings and factories. At present, the real estate and construction sectors are playing a crucial role in the overall development of India’s core infrastructure. Real Estate in India is one of the most important revenue generating sectors. In every assets are having depreciation value. Investment in property is believed to be the smartest move as chances of loss is negligible. The growth and appreciation in this sector is directly influences the economy of the country. Incase in India if a person having own property is a matter of pride, attachment to the property is massive. Also, it is the most profitable investment in India. The growth graph of the Real Estate sector is observed to be rising day by day.