Motives for Residential Property Investment in Malaysia: Evidence from Online Property Forum Participants

[1]Nurul Shahnaz Mahdzan [2]Cheah Chee Wei
[1]Department of Finance and Banking, Faculty of Business and Accountancy, University of Malaya, 50603 Kuala Lumpur.
[2]School of Business, Monash University Malaysia, Jalan Lagoon Selatan, Bandar Sunway, 47500 Subang Jaya, Selangor.

ABSTRACT

This study empirically examines the motives for residential property investment in Malaysia. The financial and non-financial motives of residential property investment are analysed using a sample of 251 online residential property forum participants with experience of purchasing residential property. In addition, the role of gender in property investment intentions is also examined. Results reveal that both financial and non-financial factors are significantly related to residential property investment intentions. However, there appears to be no significant gender differences in residential property investment decisions. The outcomes of this study are useful as it will help property investors understand the important determinants of residential property investment intentions among sub-purchasers. The study also provides important implications for developers as it will assist them increase the marketability of their housing projects.

Keywords: Investment Motives, Online Property Forum, Property Investment, Residential Property

INTRODUCTION

Residential property prices in urban Malaysia have experienced phenomenal increase since more than a decade ago. An obvious surge was seen in 2006 when price appreciation was reported to be as high as 80%, particularly in urban areas with high population density, such as Klang Valley and Penang (Abdullah, 2010). Meanwhile, figures from the National Property Information Centre (NAPIC) show a progressive increase in the house price index (HPI) in Malaysia since 2000,

Correspondence: n_shahnaz@um.edu.my

with rapid acceleration between 2009 and 2014. While the all-house price compound annual growth rate (CAGR) was recorded at 5.6% between 2000 and 2014, the rate shot up to 10% between 2009 and 2014 (Khazanah Research Institute, 2015). Among the factors contributing to this phenomenon were the easing in banks' lending policies with extended repayment periods, low interest rates and a surge in speculative buying (Fernandez, 2012). Meanwhile, the supply of property in major cities slackened relative to high demand, resulting in an upward pressure on price (Chan, 2012).

Despite exorbitant price trends and high indirect costs, residential property investment remains to be a popular investment in Malaysia (iProperty.com, 2012a). Increasing trends in property price are attractive to investors who are in search of high capital gains. In addition, investment in property allows investors to diversify their portfolio of assets (Adair *et. al*, 1994) and is also a good hedge against inflation Ming, Chang, Chih & Hsieh (2012).

In general, Malaysians saved an average of 35.3% of GDP a year for the past three decades (Tang, 2008). The high saving rate coupled with the current low interest rate regime, good incentives by developers and attractive mortgage packages offered by banks have stimulated property investment in Malaysia. Residential property differs from other types of financial investment in various aspects. They are illiquid in nature and possess heterogeneous features in terms of location, size, and land value, and involve high transaction costs such as legal fees and stamp duty that can easily deflate expected returns (Linneman, 1989).

This paper explores the behavioural aspects that motivate residential property investors. Specifically, this paper examines the financial and non-financial factors that motivate residential property investment in the context of Malaysia. Secondly, the paper explores the role of gender in property investment behaviour. Although much research on property investment demand in developed countries has been carried out, detailed research on property demand in developing countries is still scarce. As mentioned by Malpezzi (1999), even though property investors' behaviour is similar across countries, developing countries in Asia present important distortions in terms of land and bank credit policies, urban infrastructure and law and regulation, among others.

This study is significant as it will provide insights into the driving forces behind residential property demand and help property developers understand the preferences of Malaysian property investors. Simultaneously, the study will provide deeper understanding of the general behaviour and investment strategies of residential property investors in the context of a developing nation.

RESIDENTIAL PROPERTY INVESTMENT

Demand for Residential Property

Residential property may be purchased either for own stay or investment purposes (Henderson & Ionnides, 1983, Berkovec, 1989; Brueckner, 1997; Lin & Lin 1999; Arrondela & Lefebvred, 2001; and Cassidy *et. al*, 2008). However, the former intention may later transform into the latter upon increment of the property's market value, hence creating a motive for speculative activities (Orford, 1999).

The researchers above suggested that even own stay property has both own stay consumption and investment role due to the fact that own stay property has a resale value and could be traded in the future. Arrondela and Lefebvreb (2001) suggested that the difference between the investment demand and the consumption demand for property is that the own-stay demand is for own family to occupy, whereas investment demand could be for rental income or for resale in the future.

Thus, purchasers can focus on purchasing residential property that most fit their housing needs and invest for capital gains that are most appropriate and fit their investment portfolio. Residential property purchasers will either purchase the property that best fits their shelter needs or invest for capital gain/ rental income purposes (Cassidy, 2008).

Ibbotson (1984) highlighted that property could not be sold instantaneously at the quoted or appraised price for three reasons. Firstly, the appraised price is only an approximation of the market price, and a transaction price may differ substantially from the appraised price. Secondly, each parcel of real estate has unique characteristics which increase the cost of locating a buyer. Thirdly, even after the buyer and seller can locate each other, time may be required to agree on the price and to settle other matters such as loan financing, renovation, and fixing. These costs must be taken into account when comparing real estate returns with those on stocks, bonds or other assets that are homogenous and traded in a centralised auction market.

While most commodities such as gold and precious metals are homogeneous within their asset class, residential properties are heterogeneous in many ways. Residential property can be categorised as landed or high-rise property, leasehold or freehold types, and may vary in price according to vicinity. Exact location of the property also plays a huge impact on price. For example, even similar size apartments in the same block may be transacted at different prices depending on the transaction time, floor location or direction faced. Unlike stocks, bonds, commodity and foreign exchange the property market does not have a central exchange and the information on transaction volume and value is not available to purchasers and investors promptly. The imperfect information is attributed to the lack of efficiency and reliable sources of market information in an organised and timely manner. Investors who intend to invest in residential property would have to rely on certain market indicators which are scattered via newspaper advertisements and property market reports as well as on verbal value upon checking with property valuation companies.

Reasons for Residential Property Investment

Rental income and long-term capital gain were the main reasons New Zealanders invest in property (Flint-Hartle & De Bruin, 2000). While the New Zealand Stock Exchange 40 Capital Index increased by 10.6% from 1989 to 1999, the return on residential property increased by 66% during the same period (Gaynor, 2000). The capability of the property market in New Zealand in surpassing the performance of the stock market has increased popularity amongst investors.

Residential property has been found to be popular as a hedge against stock market risks. Hui and Yu (2012) claimed that investors in Hong Kong preferred to invest in the stock market due to higher liquidity and lower entry costs. However, when the stock market was overpriced in comparison to company profit levels, the stock market became relatively risky, prompting private investors to diversify into the property market.

All the above studies recognised that property investment is a common investment diversification tool. However, the superiority of risk-return performance of direct properties investment relative to common stocks and other type of investment have yet to be proven (Sirmans & Sirmans, 1987).

Halicioglu (2007) reported similar evidence regarding property investment motives in Turkey. Nonetheless, the author discovered another important reason stimulating property demand that is, to accommodate expanding family size. The author measured this variable as population growth, number of marriage and birth rate. Meanwhile, Brown *et. al*, (2008) investigated the reasons for property investment and used life cycle as a proxy for family size. The authors explained that life cycle or family size is related to the size of housing space needed. Tang (2008) further confirmed that the demand for property investment in Malaysia is related to socio-demographic factors, including investor's life cycle stage and family size.

MOTIVATIONS FOR RESIDENTIAL PROPERTY INVESTMENT

Financial Factors

Brown, Schwann, and Scott (2008) examined the factors for property investment in Australia and asserted that the most important factors were permanent disposable income, ability to obtain mortgage finance and tax policy. They concluded that these financial factors are the dominant factors that drive the property investment market. In New Zealand, Flint-Hartle & De Bruin (2000) also identified financial factors as the main reasons for residential property investment. The main drivers for property investment in New Zealand are wealth accumulation and capital gains, as well as for retirement income. The findings were obtained from a survey on individuals who had responded to questionnaires inserted in two real estate publications in 1999. The findings are all good indicators of housing investment decisions. However, property gains tax does not affect the property investment in New Zealand as the gains from property is tax exempted (De Bruin & Flint-Hartle, 2003).

In the Malaysian context, Hashim (2010) suggested that property investment is one of the tools to create personal wealth. His view is in line with Shemin (2002) who explained that property investment is the best wealth builder due to five main reasons. The reasons are property appreciation increases personal net worth; it provides consistent rental income; one is able to lock in profit immediately when purchasing under-valued property; tax advantage; and capability of investing with zero down payment.

Another motivator for property investment is the ability to leverage by using other people's money. Chan (2012) in her article quoted an example, "with a down payment of just RM100,000 and 90% financing; one can own a property worth RM1 million. Supposing that the property price increases by, say, 20% to RM1.2 million, one would have a return of 200% on the cash you invested". This leveraging method does not apply to other investment asset classes such as stocks, commodity and forex investments. Due to the leveraging features of property investment, the movement in interest rate and easy access to mortgage financing will influence the property investment decision.

Significant researches in similar interests have been carried out in different countries such as in South Africa by Kupke, Marano, & Rossini (2005), in Turkey by Halicioglu (2007), in Norway by Jacobsen (2009) and in the UK by Goodhart (2011). These researches explained that the demand for rentable property is driven by the need for retirement income, positive capital gain outlook, stable rental income, being able to reduce taxable income and influences from family and friends. Moreover, Halicioglu (2007) also highlighted that macroeconomic factors such as GDP growth and alternative investment such as stock exchange index, unemployment rate and income per capita are among the motivators for property investment.

Another Malaysian researcher, Tang (2008), concluded that household income, unemployment rate, interest rate and expected return on alternative investment from stock market such as KLSE have impact on property investment demand in the Malaysian context. According to Tan, the policy makers promote home ownership by liberalising on withdrawals from the EPF Account 1 which will also stimulate the property investment demand.

Ming *et. al*, (2012) have similar views on financial factors as per highlighted by Tang (2008) & Kupke *et. al*, (2005). In addition, Ming *et. al*, (2012) has added valuable variables like inflation rate and money supply as they are indeed applicable in the Taiwan context. Ming *et. al*, (2012) argued that the QE1 and QE2 measurements that were initiated in the United States after 2008 had positive impact on other countries' monetary policy. To keep the exchange rate stable, other countries would need to increase their money supply so as to stabilise the exchange rate parity and the country's balance of payment position. The increment in money supply caused the surge in inflation rate; and in general, Taiwanese believed that property investment is a better option for curbing high inflation (Ming *et. al*, 2012). Prior to Ming's research in Taiwan, similar research had been carried out in the UK, which confirmed that the inflation rates (measured by Consumer Price Index), nominal interest rates and real interest rates (Goodhart, 2008) are correlated with the property investment demand. A similar research which was out in China confirmed the above statement (Chu & Sing, 2004).

Numerous studies have investigated the correlation between money supply and property investment and have found that these have led to the strong property price fluctuation. The researchers found that monetary policy and nominal interest play an important role in determining residential property price and demand, as well as money shocks by generating remarkably volatile residential investment. Other researchers such as Iacoviello (2005) & Elbourne (2008) examined the effects of monetary policy shock on property market and concluded that these factors have influences on property price and demand.

The correlation between money supply and property price seems to exist worldwide. Goodhart & Hofmann (2008) evaluated the linkage between money supply, mortgage credit, property prices and demand in 17 industrialised countries in the last three decades.They found significant evidence of multidirectional links between property price, monetary variable and the macro economy. Beltratti & Morana (2010) claimed in their analysis of G7 countries that macroeconomic variables such as interest rates and monetary aggregates affect property pricing. Even though the studies mentioned above provided a potential link between housing price and monetary variables, the ways monetary aspects stimulate the property investment demand in property require further discussion.

In summary, the literature indicates that disposable income, interest rates, inflation, retirement planning needs and the aim of accumulating wealth affect property investments intentions. Hence, it is predicted that the relationship between financial factors and investment intentions is positive, as reflected in the following hypothesis:

Hypothesis 1: Financial factors are significantly related to individual residential property investment intentions.

Non-Financial Factors

Chan (2012) asserts that favourable Real Property Gains Tax (RPGT) conditions, easy access to bank financing, flexible and long financing tenure of up to 45 years or 75 years of age, low mortgage interest rates, convenient EPF Account 1 withdrawal and attractive incentive packages from developers are among the valid reasons for the increase in property investment demand in Malaysia. The Developer Interest Bearing Scheme (DIBS) was launched and popularised in 2010 as a collaborative scheme between banks and developers (Saw & Tan, 2014) that aimed to ease property ownership. Under the scheme, home purchasers were able to purchase property without having to pay progressive interest until full completion of the property and also enjoyed a waiver of legal fees and stamp duty. DIBS became a strategic selling point for property developers as it lowered the entry costs for purchasers. However, DIBS was abolished in 2014 by the government in an attempt to tighten lending practices and curb speculative buying. Subsequently, some developers responded by introducing the Developers' Interest Reimbursement Scheme (DIRS) where developers would directly credit progressive interest to the purchasers' bank accounts. The purchasers would then be able to use the credited amount to offset the progressive interest in their loan accounts. In the eyes of property purchasers, the DIRS is a good substitute for the DIBS scheme and hence, the discontinuation of DIBS has had minimal impact on developers as the Central Bank regulates the banks but not property developers.

Nonetheless, to avoid property bubbles caused by the access liquidities in the market, the Central Bank of Malaysia has implemented various measures to curb the property market from overheating. One of the measures is the setting a Loan-to Value (LTV) ratio of 70% for third residential property financing under a single individual name. This rule is also applicable to joint name purchase/financing between spouse or family members. Hence, property investors and speculators are required to pay a deposit of 30% for their third investment property. This has slowed down the speculation sentiment. However, some developers can cut through the obstacles by hiking up the property price and then provide up to 20% rebates in the way of credit notes to purchasers. By doing that, purchasers are required to pay only 10% deposit for the purchase of property. Apparently, this measure by the Central Bank of Malaysia is not 100% effective as it can only regulate financial institutions but not property developers.

MFPC
Malaysian Financial Planning Council
Competence.Ethics.Standards
Your Pathway to Professionalism
A Premier Financial Planning Designation of MFPC

The Real Property Gains Tax (RPGT) imposed by Bank Negara Malaysia is another measure to curb speculative purchases in the property market (RHB Research Institute, 2012). Under the Malaysian Budget 2014, the RPGT was revised to the following terms. In regard to individuals' disposal of real property, properties that are held and disposed within two years are imposed with RPGT of 30%. Properties that are held and disposed in the fourth year are imposed with RPGT of 20%; for disposals in the fifth year the RPGT is 15%, and for disposals in the sixth and subsequent years there will be no RPGT imposed. These revisions reflect the government's efforts to curb speculative activities by investors in the property market.

Another study in the context of Malaysia conducted by Nasir (2009) highlighted another non-financial factor that may affect property purchase is the ability to pass the property to the next of kin, as it is considered part and parcel of Asian values. This variable was not highlighted and examined in other Western researches. The study discovered that the ability to pass the property to the next of kin is one of the main reasons for property investment.

Based on the literature review, it is expected that easy access to mortgage funding, RPGT, developers' incentives, intentions of passing over the property to the next of kin, influence from peers, friends and family, are positively related to investment intentions, as reflected in the following hypothesis:

Hypothesis 2: Non-Financial factors are significantly related to individual residential property investment intentions.

GENDER DIFFERENCES IN RESIDENTIAL PROPERTY INVESTMENT

Mellish & Rhoden (2009) investigated the role of gender in property investment decision by examining the factors that encourage male and female individuals to invest in the "buy-to-let" property market in London. "Buy-to-let" is a mortgage product in UK, which is designed to facilitate housing purchases specifically to be let out. The researchers found that male investors entered the buy-to-let sector as a long-term investment through rentals as opposed to female investors who were looking for short-term flipping in property.

Mellish & Rhoden's (2009) findings were similar to an earlier study by Flint-Hartle & De Bruin (2000). Both researches concluded that women enter property investment market to gain financial independence. However, women investors are worried about potential risks of failures, and thus viewed the sector as short-term investment and had plans to sell their properties for capital gain.

Generally, numerous studies suggested that women are more risk averse and men are risk takers. Mellish & Rhoden (2009) concluded that in the UK, women who had invested in the residential property market would be more inclined for short-term flipping due to the risk and uncertainties in the long term. However, male investors would invest for the long term and were more inclined to rental play. Albaity (2012) confirmed this in the Malaysian context where his research on Malaysian culture had revealed that male investors were more risk tolerant compared to women investors. Hence, it is postulated in this study that residential property investment intentions differ between genders, as reflected in the following hypothesis:

Hypothesis 3: There are significant differences between male and female investors in their residential property investment intentions.

METHODOLOGY

Sample and Data Collection

The unit of analysis for this study is the individual property investor or individuals who had intentions to invest in property. To capture these investors, a purposeful sampling approach was adopted whereby participants of the top four online property forums in Malaysia were targeted and invited to participate in the study. The forums chosen were:

i. *Property WTF.com*

ii. *Lowyat.net, Property investment sub-section.*

iii. *Setiaalam.net property investment portal*

iv. *Carigold.com, property investment sub section.*

The first three online forums use the English language as a medium of communication, thus they are open to all ethnic groups. From the first 50 responses received online, the responses from Malays (the majority ethnic group in Malaysia) were somewhat discouraging. In order to encourage more Malay participation, questionnaires were also distributed via private email invitations to forums that use the Malay language, that is, *Carigold.com*. A total of 2000 online questionnaires were distributed and 302 responses were obtained. However, only 251 of them were deemed usable via a filter question asking if the respondent had invested in any property before. Data was collected in November 2013 for one month.

Instrument

The instrument used was a questionnaire worded in English developed from the Asia Property Market Sentiment Report (iProperty.com, 2012b) and Nasir (2009). The link for the online survey was emailed to participants of the forums using an electronic survey platform called Survey Monkey. The questionnaire contained three sections covering socio demographic profile of respondents, property investment intentions, and the motives behind property investment intentions.

Model and Measurement

Based on the above hypotheses, the model can be specified as follows:

$$PROPERTY\_INV = \alpha + \beta_1 *FINANCIAL + \beta_2 *NON\_FINANCIAL + \beta_3 *GENDER,$$

where α is a constant term, and β_n are the coefficients to be determined. The dependent variable is property investment intentions (PROPERTY_INV), where respondents were asked to rate their agreement on the statement "I will invest in residential property investment in the next 3 years" using a 5-point Likert Scale (1=Strongly Disagree, 5=Strongly Agree). Such quantitative measure of investment intention were employed by Nasir (2009) and an industry player, namely iProperty.com in their recent Asia Property Market Sentiment Report 2012c across the Asian countries.

The independent variables posited to influence residential property investment were financial factors, non-financial factors and gender. The financial and non-financial variables were measured using a 5-point Likert scale (1=Strongly Disagree, 5=Strongly Agree) whereby respondents were asked to state their level of agreement on a total of 11 motives for residential property investment. For financial factors, respondents were asked whether they invested in residential property: (1) motivated by the potential increase in their disposable income, (2) low interest rate, (3) inflation hedge, (4) wealth accumulation and (5) retirement planning. For non-financial factors, respondents were asked if items such as (1) low Real Property Gain Tax (RPGT), (2) access to mortgage funding, (3) developers' incentives, (4) ability to pass to next of kin, and (5) influence from friends and family, impacted their property investment decision. Gender was measured using a dummy variable (1= male, 0 =female).

Data Analysis

A pre-test was first conducted with three experts in the field to obtain their feedback on the constructed survey. After receiving their feedback and making adjustments to the survey design, a pilot test was first conducted with the first 20 online participants to ensure that the questions were well understood. After making minor adjustments to some of the wording in the questionnaire, the researchers proceeded with data collection. The data was then analysed using a multiple regression via SPSS version 20.

RESULTS

Descriptive Analysis

From a total of 302 online responses, only 251 respondents were used for analysis while the remaining 51 respondents were screened out via a filter question worded as *"Have you ever purchased residential property?"* 82% of the respondents were male and the rest female. In terms of age, approximately half were between 31-50 years old while one-third of them were between 18-30 years old. While almost all the respondents except one were Malaysians, these were skewed in terms of ethnic group, where about two-thirds of the respondents were Chinese, 28% were Malays, and 6% were Indian. This implies two possibilities: first, that most online property forum participants are Chinese, or second, that most residential property investors are indeed of Chinese ethnicity.

There was a balance between single respondents and those who were married with children (both categories 40% each). About three-quarters of the respondents held a diploma or degree while 18% held a Masters/Ph.D. This suggests that residential property investors in this sample are rather highly educated. There seemed to be a balanced proportion of respondents in terms of income levels, as can be seen from a summary of the socio-demographic profile of respondents in Table 1.

Section B of the questionnaire asked about the respondent's experience and intentions of investing in residential property. When asked whether he/she would increase property investment over the next three years, 83.3% of respondents answered positively.

Table 1: Socio-demographic Profile of Respondents

Characteristics	Categories	Frequency (n=251)	Percentage (%)
Gender	Male	206	82.1
	Female	45	17.9
Age	18-30	83	33.1
	31-40	125	49.8
	41-50	37	14.7
	51 and above	6	2.4
Race	Bumiputera	70	27.9
	Chinese	165	65.7
	Indian	15	6.0
	Others	1	0.0
Nationality	Malaysian	250	99.6
	Non-Malaysian	1	0.4
Marital Status	Single	100	39.8
	Married, no kids	45	17.9
	Married, with kids	103	41.2
	Divorced	1	0.1
Education Level	Primary	2	0.8
	Secondary	6	2.4
	Professional Cert	12	4.6
	Diploma/Degree	186	74.2
	Masters & PhD	45	18.0
Residing State	Kuala Lumpur	80	31.9
	Selangor	133	53.0
	Others	38	15.1
Monthly Income	Less than RM 2,500	17	6.8
	RM2,501 – RM5,000	55	21.8
	RM5,001 – RM7,500	50	20.0
	RM7,500 – RM10,000	37	14.8
	RM10,001 – RM15,000	46	18.3
	RM15,000 and above	46	18.3

Regarding the value of the residential property invested, slightly more than one quarter of the respondents owned property valued RM500,000 and below while 58% of them owned properties valued between RM500,001 to RM3 million, and the remaining 3% had investments in residential property valued more than RM10 million.

In terms of the financial factors, the majority of the respondents agreed that property investment was the best hedge against high inflation (74%), and it was the best wealth accumulation tool (65%), the increase in disposable income would stimulate their property investment intention (65%). The other important financial factors were low bank interest rate (54%), easy access to financing (35%) and RPGT (12%). The RPGT was comparatively less significant in investment intention as the RPGT rate of 10-15% was still considered low back in 2012. We found the result of RPGT is one of the least important factors as the rate was low at that point in time. However, the RPGT rate was revised upward in 2014 to the current range of 5-30%.

Table 2: Residential Property Investment Experience

Characteristics	Categories	Frequency (n=251)	Percentage (%)
Have you ever purchased residential property? (screening question)	Yes*	251	83.1
	No**	51	16.9
Will you increase your property investment?	Yes	209	83.2
	No	42	16.8
Value of Property	RM25,000 and below	4	1.6
	RM25,001 - RM500,000	59	23.5
	RM500,001 - RM1,000,000	70	27.9
	RM1,000,001 – RM3,000,000	75	30.0
	RM3,000,001 - RM5,000,000	14	5.6
	RM5,000,001 - RM10,000,000	10	4.0
	RM10,000,001 - RM20,000,000	10	4.0
	RM20,000,001 and above	9	3.6
How much will you increase your investment?*	Less than 50%	115	45.8
	50-100%	103	41.0
	101-200%	28	11.2
	201-500	3	1.2
	More than 500%	2	0.8

Note: *Used for Further Analysis, **Discarded from Further Analysis

Table 3: Financial Factors

Financial Factors	Frequency (n=251)	Percentage (%)
To curb high inflation	185	74%
Increase in disposable income	163	65%
Wealth accumulation	163	65%
Low bank interest	136	54%
Easy access to financing	88	35%
Low real property gains tax (RPGT)	30	12%

These results are shown in Table 3.

With regard to non-financial factors, the majority of the respondents (74%) chose retirement plan as the main motive for investing in property. The obvious reason was that rental income provided regular cash flow, especially to retirees. Another view was when the property appreciation achieved the pre-determined targeted price, investors were able to lock in the profit by disposing the property and keeping the profit for retirement needs. More than half of the respondents (52%) trusted that the developers' incentives such as DIBS/DIRS scheme, freebies like free air-conditioning units and other home appliances and free monthly maintenance fees would further stimulate their investment intentions.

Almost half of the respondents (48%) adopted property investment as part of the financial planning for their children's education fund. Some respondents commented that they were inclined to invest in property whenever they had new members (new-born babies) joining their family. A summary of the results for non-financial factors is shown in Table 4.

Table 4: Non-Financial factors

Non-Financial Factors	Frequency (n=251)	Percentage (%)
For retirement planning	185	74%
Developers' incentive	131	52%
For children's education planning	120	48%
Able to pass to next of kin	45	18%
Influenced by friends/family	45	18%

Factor Analysis

To test the influence of financial and non-financial factors influencing property investment, the respondents were asked a series of questions pertaining to their reasons for investing. A total of 11 items measuring motives of their investment were presented to them. In order to reduce the items to a smaller set of underlying factors, a factor analysis was conducted. Factor analysis is a "data reduction technique used to reduce a large number of variables to a smaller set of underlying factors that summarise the essential information contained in

Table 5: Rotated Component Matrix

	Component		
	1	2	3
High inflation	.772		
Low bank interest	.603		
Wealth accumulation	.603		
Retirement planning	.570		
Disposable income	.540		
Easy to get loan		.744	
RPGT		.647	
Developers' incentives		.513	
Planning for children's education			.817
Pass to next of kin			.738
Cronbach's Alpha	.688	.605	.544

the variables" (Coakes & Steed, 2007, p.122). The rotated component matrix from the factor analysis is shown in Table 5, revealing three underlying dimensions.

For all three factors, items with loadings more than 0.5 were retained, and for items with cross loadings, those with the highest value in a particular component were selected. One item, "influence from family and friends" was deleted as it had cross loadings greater than 0.3 in two categories.

Hence, results of the factor analysis show that there are three main dimensions being measured:

a. **Factor 1** includes items such as inflation hedge, low bank interest, wealth accumulation, retirement income and increase in disposable income, renamed FINANCIAL_MOTIVES.
b. **Factor 2** consists of easy access to mortgage loan, RPGT and developers' incentives, renamed EXTERNAL_MOTIVES.
c. **Factor 3** consists of 2 factors which are planning for children's education and being able to pass to next of kin, and renamed ALTRUISTIC_MOTIVES, as suggested by the literature on bequest motives (e.g. Tomes, 1981).

It can be concluded that Factor 1 represents financial motives, as expected, while Factor 2 and Factor 3 are representations of non-financial motives.

Multiple Regression

We regress GENDER and all three dimensions (FINANCIAL_MOTIVES, EXTERNAL_MOTIVES and ALTRUISTIC_MOTIVES) on the dependent variable, (PROPERTY_INV). Results are shown in Table 6.

The *Adj.R*^{2} indicates that 57.4% of variation in residential property investment was explained by the independent variables, suggesting that the model of this study was reasonably constructed.

Table 6: Multiple Regression Analysis

Independent Variables	Standardized Coefficients	t	Sig.
(Constant)	-.276	-1.095	.275
FINANCIAL_MOTIVES	.453	9.247	.000
EXTERNAL_MOTIVES	.413	8.776	.000
ALTRUISTIC_MOTIVES	.110	2.433	.016
GENDER	.043	0.979	.329

DV: PROPERT_INV, R^2=0.582, Adj.R^2=0.574, F=104.424, Sig.=.000

Results indicate that FINANCIAL_MOTIVES, EXTERNAL_MOTIVES and ALTRUISTIC_MOTIVES are significant as all are with p-value that < 0.05. Hence, it can be concluded that financial and non-financial factors are significantly related to individual property investment decisions. However, results show that gender is not a significant determinant of residential property investment. In summary, Hypothesis 1 and Hypothesis 2 are accepted, and Hypothesis 3 is rejected.

CONCLUSION

The results of this study indicate that financial factors, external factors and altruistic factors significantly motivate residential property investment while gender difference is not a significant factor in residential property investment in Malaysia. The latter contradicts the results of Mellish and Rhoden (2009), possibly because women in the Western context are more independent and authoritative in making decisions, and invest in property to gain financial independence. In Malaysia, however, it is highly likely that women investors make property investment decisions together with their spouse or other family members due to male dominance in the Asian household, hence creating insignificant differences in property investment decisions between genders.

When investing in a residential property, location, rentability and vicinity are among the most important factors. Other than that, reputation of the developers and the workmanship and quality delivered by the developers are also important. Other factors that investors would consider are whether the development provides good security for residents, or if they are reasonably priced. This implication will help property developers understand the needs of their potential customers/investors.

Property investors who invested in properties in the Klang Valley since 2006, had seen handsome profits of 20-80%. Therefore, the majority of investors agreed that property investment is a good wealth accumulation tool. The respondents also concluded that an increase in disposable income would motivate them to invest more as their loan capacity and ability would be improved in proportion to the increase in their income. The research also revealed that the reason for their investment was to obtain a regular income when they retire, as savings in Employees' Provident Fund (EPF) may not be sufficient for their retirement.

The current mortgage loan rate of around 4% is at its historical lowest, and the investors are of the opinion that the interest rate would not change in the near future due to the Quantitative Easing measurement implemented by many countries. Thus, investors believed that this factor is less important compared to the other four financial factors as per discussed earlier.

In terms of the external factors, the developers' incentives, government

RPGT policy and easy access to loan financing were all important factors and these findings supported the findings of previous studies. The developers' incentives are crucial as low down payment, rebates on the down payment, Guaranteed Rental Return (GRR) scheme. Even though the DIBS scheme has been abolished by Central Bank, property developers have creatively introduced the DIRS to replace the DIBS. Therefore it has minimal impact on property investors' investment decisions as the DIRS is considered 'old wine in a new bottle'.

The QE1, QE2 and QE3 measurements by the United States have stimulated many Central Banks of various countries to increase their money supply so as to keep their currency stability against USD. This had led to the huge liquidity in the money market. As a result, Malaysian banks are flooded with liquidity. Furthermore, the recent move by Bank Negara Malaysia of reducing the Statutory Reserve Requirement (SRR) from 4% to 3.50% effective from 1 February 2016 suggests that there will be an increased amount of liquidity in the domestic financial system (Bank Negara Malaysia, 2016), which implies a positive impact on property lending.

The mortgage loan business is considered the safest lending mainly due to three factors. First, the mortgage loans are fully secured by property as collateral with only 70-90% margin given. Second, the risk will be reduced when the property pledged appreciates. Third, the lending risk is reduced over time when borrowers serve their loan instalment, and loan principal would be reduced accordingly. The easy access to mortgage loan has stimulated investment in residential property.

Comparatively, RPGT rate is insignificant in investment decision if the rate is far below the personal income tax of 26%. However, the government had in 2014, revised the RPGT rate to 30% if investors dispose their invested property in the first 3 years, and 20% and 15% respectively if investors dispose the property in the 4th and 5th year. The revision of RPGT may impact the short-term investor who seeks immediate gains after the completion of the property. But in general, the revision of RPGT has less impact as the normal construction period of newly launched property is within 3-4 years. Therefore, the investors would most likely sell the property only after 3-4 years. Hence, they would avoid paying the 30% RPGT. In most circumstances, they would pay 20% if they were to sell in the 4th year, or 15% if they were to sell in the 5th year. Some investors choose to rent out the property for 1-2 years before selling the property. By holding the property more than 5 years, the investors are exempted from paying RPGT.

Other than the financial benefit and non-financial external factors, altruistic factors are also important as they have been considered part and parcel of the Asian culture. Altruistic behaviour in this context is the concern for the welfare of others and unselfish attitude. The research investigated the two factors, i.e. investing for children's future education and being able to pass the property to the next of kin. It has also concluded that these two factors have significantly motivated property investors' decision. Some respondents have included their comments in the questionnaires that they would invest in a new property whenever they have a new-born baby or a new family member. They would sell the property for capital gain when the child reaches the age of 18 years as his education fund. This factor is important in the Asian culture.

There are several limitations of this study. Firstly, due to time and financial constraints, the sampling frame was limited to the four property forums only. As such, the results cannot be generalised to reflect the overall investors in the Klang Valley or even Malaysia. There are also investors who have never surfed online or discussed in the property forums before they invest. Secondly, this research was done by only focusing on residential property, and did not explore investment in other types of property such as commercial property or land. Lastly, this research paper concentrates on individual property investors. Further research could investigate the behaviour of institutional investors and corporate investors, and explore the motivations for investment in other types of properties. ■

REFERENCES

Abdullah, K. (2010). Real Estate Secondary Market: A Malaysian Case. National Institute of Valuation. Ministry of Finance, Malaysia.

Adair, A.S., Berry, J.N. & McGreal, W.S. (1994). Investment Decision Making: A Behavioural Perspective. Journal of Property Finance, 5(4): 32.

Albaity, M., & Rahman, M. (2012). Behavioural Finance and Malaysian Culture. International Business Research. 5(11): 65-76.

Arrondela, L. & Lefebvreb, B. (2001). Consumption and Investment Motives in Housing Wealth Accumulation: A French Study. Journal of Urban Economics, 50(1):112-37.

Bank Negara Malaysia (2016). Decrease in the Statutory Reserve Requirement (SRR) Ratio. Retrieved 22 April 2016 from http://www.bnm.gov.my/index.php?ch=en_press&pg=en_press_all&ac=3320

Beltratti, A. & C. Morana. (2010). International House Prices and Macroeconomic Fluctuations. Journal of Banking and Finance, 34: 533-45.

Berkovec, J. A. (1989). General Equilibrium Model of Housing Consumption and Investment. Journal of Real Estate Finance and Economics, 2(3):157-72.

Brown, R. M., Schwann, G. & Scott, C. (2008). Personal Residential Real Estate Investment in Australia: Investor Characteristics and Investment Parameters. Real Estate Economics Journal, 36(1): 139–173.

Brueckner, J.K. (1997). Consumption and Investment Motives and the Portfolio Choices of Homeowners. Journal of Real Estate Finance and Economics, 15(2): 159-80.

Cassidy, H.J., Dennis, B. & Yang, T. (2006). Home Appreciation Participation Notes: A Solution to Housing Affordability and the Current Mortgage Crisis. International Real Estate Review, 11(2): 126-41.

Chan, A.L. (2012). Making your property investment count. Retrieved 28 Aug 2013, from Available at http://www.iproperty.com.my/news/5616/making-your-property-investment-count.

Chu, Y.Q., & Sing, T.F. (2004). Inflation Hedging Characteristics of Chinese Real Estate Market. Journal of Real Estate Portfolio Management, 10(2): 145-154.

Coakes, S.J. & Steed, L. (2007). SPSS Version 14.0 for Windows- Analysis without anguish. John Wiley & Sons Inc.

Fernandez, E. (2012). The Property Outlook for 2013. The Star Online. Retrieved 1 September 2013, from http://biz.thestar.com.my/news/story.asp?file=/2012/12/29/business/12507327&sec=business

Flint-Hartle, S. & De Bruin, A. (2000). Residential property investment decision in New Zealand: Economic and Social Factor. Pacific Rim Real Estate Society (PRRES) Conference2000. Sydney 23-27 January 2000.

Gaynor, B. (1999). Only Risk will bring Rewards. New Zealand Herald. A23.

Goodhart, C. & Hofmann, B. (2008). House Prices, Money, Credit, and the Macroeconomy. Oxford Review of Economic Policy, 24(1): 180-205.

Halicioglu, F. (2007). The demand for new housing in Turkey: an application of ARDL model. Global Business and Economics Review. 9(1): 62-74.

Hashim, Z.A. (2010). House Price and Affordability Housing in Malaysia. Akademika. 78: 37-46.

Henderson, J.V. & Ioannides, Y.M. (1983). A Model of Housing Tenure Choice. American Economic Review. 73(1): 98-114.

Hui, E.C.M. & Yu, K.H. (2012). Assisted homeownership, investment and their roles in private property price dynamics in Hong Kong. Habitat International, 36 (2): 219-225

Ibbotson, R. & Sieger, L. (1984). Real Estate Returns: A comparison with other investment. AREUEA Journal, 12(3): 219-239.

iProperty.com (2012a). Strong Demand for Residential Property. Retrieved 14 March 2013, from http://www.iproperty.com.my/news/5723/strong-demand-for-residential-property.

iProperty.com (2012c). Asia Property Market Sentiment Report. Retrieved 20 April 2016, from http://insights.iproperty.com.sg/Asia-Property-Market-Sentiment-Report-2012-Singapore.pdf

iProperty.com (2012b) Asia Property Data and Trends Report. Retrieved 14 March 2013, from http://www.iproperty.com.my/news/market_trends.aspx?nid=5117.

Jacobsen, D.H. (2007). Housing Investment and house price. Journal of Investment, 78: 33-46.

Khazanah Research Institute (2015). Making Housing Affordable. Kuala Lumpur: Khazanah Research Institute.

Kupke, V., Marano, W., & Rossini, P. (2005). Survey of Investor in Private Rental Market in South Australia. Pacific Rim Real Estate Conference 2005 Melbourne.

Linneman, P. (1986). An empirical test of the efficiency of the housing market. Journal of Urban Economics, 20: 140-154.

Lin, C.C. & S.J. Lin. (1999). An Estimation of Elasticities of Consumption Demand and Investment Demand for Owner-Occupied Housing in Taiwan: A Two-Period Model. International Real Estate Review, 2(1): 110-25.

Malpezzi, S. (1999). Economic analysis of housing markets in developing and transition economies. Handbook of regional and urban economics. 3: 1791-1864.

Ming C.C., Chang, C.O., Chih, Y.Y., & Hsieh, B.M. (2012). Investment Demand and Housing Prices in an Emerging Economy. Journal of Real Estate Research. 54(3): 344-372.

Mellish, P. & Rhoden, M., (2009). Buy to Let: A Popular Investment? Property Management Journal, 27(3):178 – 190.

Nasir, M.A. (2009). Investment decisions, Characteristic of Property, and Investors' Profile and Behaviour in Public Sector in Malaysia. National Institute of Valuation. Ministry of Finance, Malaysia.

Orford, S. (1999). Valuing the Built Environment: GIS and house price analysis. Aldershot, England, Ashgate.

RHB Research Institute (2012). Recovery in Property Sectors Driven by liquidity. Retrieved 28 March 2013, from http://www.theborneopost.com/2012/10/08/recovery-in-property-sector-driven-by-liquidity/

Saw, S. L. & T. H. Tan (2014). Factors Affecting the Purchase Decision of Investors in the Residential Property Market in Malaysia. Journal of Surveying, Construction and Property, 5(2): 1-13.

Shemin, R. (2002). Making Your Fortune in Real Estate Investing. John Wiley & Sons Inc.

Sirman, G.S., & Sirmans, C.F. (1987). The historical perspective of real estate returns. Journal of Portfolio Management, 13(3): 2-31.

Tang, C.F. (2008). An empirical modeling on savings behaviour in Malaysia. Labuan Bulletin of International Business and Finance, 6: 57-76.

Tomes, N. (1981). The Family, Inheritance, and the Intergenerational Transmission of Inequality. Journal of Political Economy, 89: 928-58.