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A study on the features expected in apartments in Coimbatore city

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Abstract
The housing and construction sector is the second largest generator of employment after agriculture in India (CREDAI and Cushman & Wakefield, 2013). Almost 80 percent of real estate developed in India is residential space and the rest comprises of offices, shopping malls, hotels and hospitals (Girish Shah, 2015). According to National Skill Development Corporation (NSDC), construction and real estate sector is set to become the major employment generator in India, registering the maximum rise in human resource requirement during 2013-2022 (Ranjeet Mehta, 2016). The present study has been conducted among 300 apartment owner residents in Coimbatore to identify the pre-purchase expectations of apartment owner residents in Coimbatore. The results show that good ventilation is expected by most of the respondents before buying apartments and that there is a significant difference in the expectation of apartment features based on previous house type of stay.

Keywords: Apartment, expectation, real estate

Introduction

The Indian real estate market is expected to increase 1.92 times by 2020 to reach the market size of US$ 180 billion by 2020 from US$ 93.8 billion in 2014. The market size of Indian real estate is expected to increase at a Compound Annual Growth Rate of 15.2 percent during 2008 – 2028 and is estimated to be worth US$853 billion by 2028 (IBEF, 2016) [1]. As per the report of India Brand Equity Foundation (IBEF 2016) [1], Indian Real estate is presently the fourth - largest sector in terms of Foreign Direct Investment inflows. Total FDI during April 2000–May 2015 in the construction development sector stood at around US$ 24.07 billion (IBEF, 2016) [1]. During 2000-2015, the real estate sector is accounted for 9 percent of total FDI inflows into India (IBEF, 2016) [1]. Coimbatore is the second largest and fastest developing tier II city in Tamil Nadu after Chennai. Coimbatore is India's largest textile hub as well as a flourishing engineering destination, making it the biggest industrial centre in Tamil Nadu after Chennai. The development of Coimbatore is mainly due to the ideal combination of good business infrastructure that includes telecom, power and skilled work force. Coimbatore is emerging as an alternative IT/ITES and biotech destination mainly due to an ideal combination of good business infrastructure that includes telecom, power, quality of life, highly skilled work force, low pollution and rapid pace of infrastructure development.

Statement of the problem

Owning a house is the ultimate dream of every individual. The Coimbatore residential market is witnessing positive transaction activity, leading to increased absorption of apartments. A house in the form of an apartment is being demanded increasingly in the city of Coimbatore due to increase in population, increase in purchasing power, reduced interest rates and taxation benefits. The Coimbatore residential market is witnessing positive transaction activity, leading to increased absorption of apartments. This boom in demand was aided by easy availability of housing finance and favourable tax regime. The flow of money through Foreign Direct Investment (FDI) and from Non-Resident Indians (NRIs) also contributed to the growth of the sector. The expectation of apartment buyers vary a lot and the study aims to identify the features expected before buying.

Objectives of the study

- To identify the pre-purchase expectations of apartment owner residents
- To identify if the pre-purchase expectation of apartment features vary based on socio-economic profile of the apartment owner residents.

Research Methodology

1. Study Period

The study was undertaken during the period 2010-2016.

2. Sampling

Data has been collected from 300 respondents residing in apartments in Coimbatore city by conducting interviews.

3. Statistical tools used in the study

- Percentage analysis
- ANOVA

Limitations of the study

The following are the limitations of the study

- The sample size is limited to 300 apartment owners
- The results cannot be generalized to all the residents living in various apartments.

Review of literature

Santhakumar (2008) highlights that the nature of exposure conditions is the major influencing factor of the life of concrete structures. Generally in India, as against the expected period of 70 to 80 years, the concrete apartments last only for 30 to 50 years. This short life span of concrete structures, is an economic burden for both owners and residents and to the nation as a whole. Adverse conditions such as ground contamination, high and fluctuating temperature and relative humidity causes damage and reduces the life span of the structure.

Gopinatha Rao (2008) discusses on VAT and service tax, two of the additional amounts a buyer may be asked to pay when the project nears completion. One of them is the service tax which is levied for commercial or industrial construction services, site formation and clearance, excavation, construction of residential complexes with more than 12 units, work contract services. The rate of service tax is 12.3 per cent on 33 per cent of the cost of construction. This works out to about 4 per cent of the overall cost of construction. This amount will be indicated in the Builder's agreement with the buyer. The Value added tax is another cost added to the project and is applicable to all builders. This has replaced the earlier sales tax on works contract. The builder has the option to pay either two per cent of the cost of building indicated in the Builder's agreement or compute it on item basis for all the materials at specified rates. For materials like sand and bricks the tax is four per cent and for items like cement is 12.5 per cent. "Nearly 30 per cent of an apartment's cost typically goes in the form of taxes, duties, registration charges etc. These will obviously be passed on to the customer, and this 'hidden cost' contributes significantly to inflated building costs."

Findings of the study

Pre-Purchase Expectation of Apartment Owner Residents with regard to Apartment Features

Table 1: Pre-Purchase Expectation of Apartment Features

Apartment features		Yes	No	Total
Vaastu compliance plan expected	No.	236	64	300
	%	78.7	21.3	100.0
Spacious rooms	No.	261	39	300
	%	87.0	13.0	100.0
Good Ventilation	No.	267	33	300
	%	89.0	11.0	100.0
Natural lighting	No.	249	51	300
	%	83.0	17.0	100.0
Provision for balcony	No.	235	65	300
	%	78.3	21.7	100.0
Premium quality windows	No.	207	93	300
	%	69.0	31.0	100.0
Premium grade plumbing fittings	No.	217	83	300
	%	72.3	27.7	100.0
Premium grade flooring tiles	No.	204	96	300
	%	68.0	32.0	100.0
Premium quality doors	No.	239	61	300
	%	79.7	20.3	100.0
Branded kitchen counter top	No.	221	79	300
	%	73.7	26.3	100.0
Branded ISI Electrical cables	No.	238	62	300
	%	79.3	20.7	100.0
Branded paints	No.	233	67	300
	%	77.7	22.3	100.0

It is inferred from the above table that 89 percent of the respondents expected good ventilation in apartments.

Socio- economic profile vs pre-purchase expectation of apartment features

H_{01}: The pre-purchase expectation of apartment features does not vary significantly based on the selected socio-economic profile of the respondents.

ANOVA has been applied to find out whether there is any significant difference in the expectation of apartment features of the respondents classified based on socio-economic profile namely age, educational qualification, occupation, annual family income, previous house type and native place. t-test has been applied to find out whether there is any significant difference in the expectation of apartment features of the respondents classified based on socio-economic profile namely gender and type of family.

Table 2: Socio- Economic Profile Vs Pre-Purchase Expectation of Apartment Features

Socio-economic profile	Classification	Expectation Score – Apartment Features						
		Mean	S.D	No	T	F	Table value	Sig
Age(in years)	30 or below	8.55	3.24	42		1.816	2.402	NS
	31-40	9.38	2.89	90				
	41-50	9.83	2.49	107				
	51-60	9.17	3.08	36				
	Above 60	8.88	3.00	25				
Gender	Male	9.42	2.81	258	.989		1.968	NS
	Female	8.95	3.15	42				
Educational Qualification	No Formal Education	8.55	2.62	11		.974	2.402	NS
	School level	10.33	2.10	12				
	Under graduate	9.65	2.43	84				
	Post graduate	9.29	3.05	119				
	Professional	9.09	3.11	74				
Occupation	Private employee	9.52	2.84	134		.716	2.402	NS
	Govt employee	9.06	3.32	36				
	Professional	9.67	2.58	55				
	Self Employed	8.98	2.73	57				
	Retired	8.94	3.32	18				
Type of Family	Joint	9.51	2.41	86	.595		1.968	NS
	Nuclear	9.29	3.02	214				
Annual Family Income	Below Rs.5 lakhs	9.04	3.07	70		1.167	2.402	NS
	Rs.5-10 lakhs	9.17	3.13	101				
	Rs.10-15 lakhs	9.38	2.42	47				
	Rs.15-20 lakhs	9.32	2.23	22				
	Above Rs.20 lakhs	10.03	2.60	60				
Previous house type	Own individual house	9.92	2.34	115		3.595	2.635	*
	Own apartment	9.04	3.59	81				
	Rented individual house	8.46	2.89	50				
	Rented apartment	9.46	2.34	54				
Native Place	Coimbatore	9.58	2.85	162		1.174	3.026	NS
	From other cities within Tamil Nadu	9.16	2.88	102				
	From other states	8.92	2.83	36				

NS - Not Significant * - Significant at 5% level ** - Significant at 1% level

The ANOVA results indicate that there is a significant difference in the expectation of apartment features based on previous house type of stay. There is no significant difference in the expectation of apartment features based on age, educational qualification, occupation, annual family income and native place. The t-test results show that there is no significant difference in the expectation of apartment features based on gender and type of family.

Conclusion
There is a growth trend towards apartment projects. Also coming up are the row houses and individual villas in large numbers, particularly in the peripheral areas. The high-rise phenomenon began to redefine the skyline of the city since the late Nineties and builders have been racing to tap the upper segment of the market with bigger the better norm. A decade later, the market is slowly waking up to the demand for smaller, more affordable living spaces with small is beautiful norm that is catching on, triggering a new market for one-bedroom and studio apartments.

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