CHAPTER 1: BACKGROUND OF THE STUDY

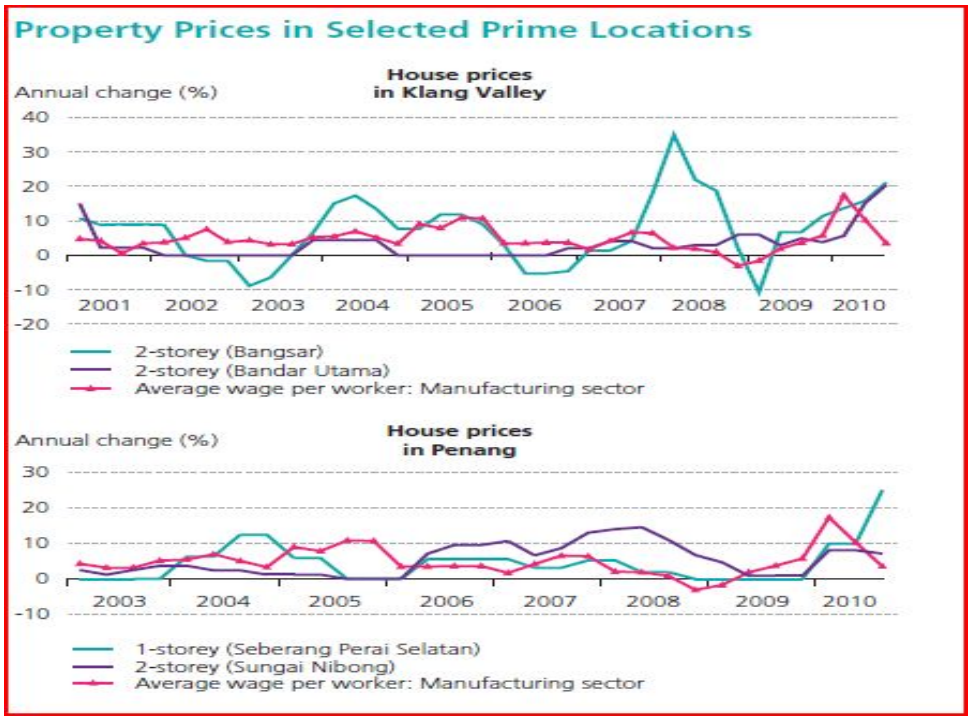
1.1 INTRODUCTION

Investment involves capital sum for profits to be received in the future. It is often done e in the form of capital gain or regular income cash flow or could also be both. In financial definition, investment utilizes capital for maximum return. The optimal allocation of asset forms an integral part of the investment decision making process. Real estate, as an investment class within a multiple asset portfolio, has long been accepted by individual and even institutional investors as an important asset class for diversification (Adair et al, 1994).

In Malaysia, residential property has become a popular investment asset. Survey results from visitors to the iproperty.com website from December 2011 to January 2012 showed that among the 11,000 Malaysian respondents in the survey, 41% owned two or more properties compared to 35% who owned only one property and 24% who owned none (Chan, 2012).

Property demand is correlated to property price. Malaysia's property price has been on the rising trend since 15 years ago. According to Asian Development Outlook Report 2011, Asian Development Bank depicted that Kuala Lumpur property prices are the second lowest in South East Asia, which was slightly more expensive than in Yangon, Myanmar. In terms of price per square feet, Kuala Lumpur property prices are lower than other capital cities in South East Asia such as Jakarta, Bangkok, Ho Chi Min City, Manila and even Phnom Penh. This means that Kuala Lumpur properties have a marked difference in prices compared to neighbouring Singapore where properties are at least 10

times more expensive and have been recognised as one of the most expensive properties in Asia.



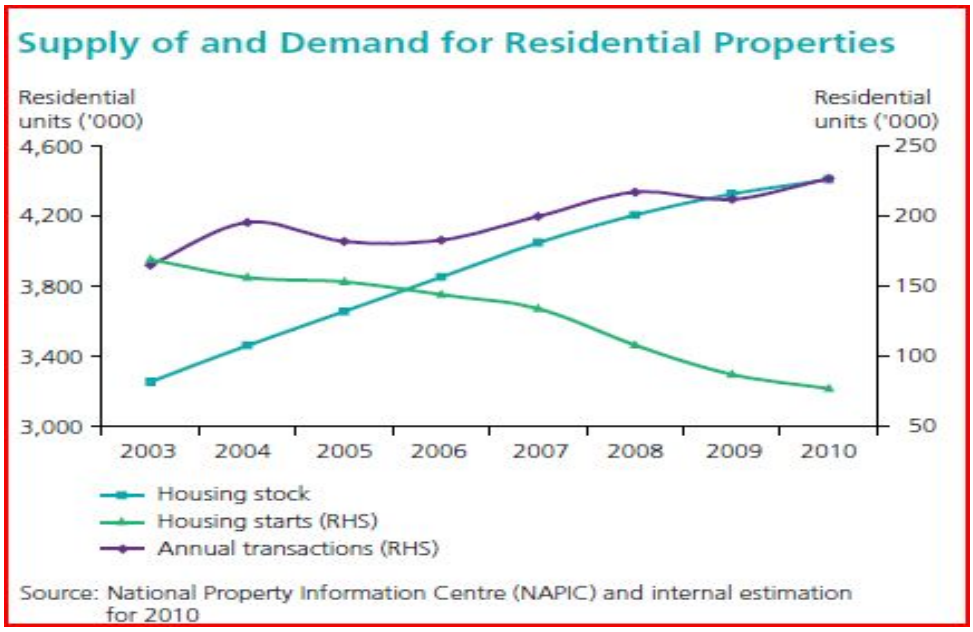


Figure 1.1 Property Prices in Selected Prime Location

As shown in Figure 1.1, although property price in Kuala Lumpur has been in the rising trend for many years. However, an obvious surge in housing price was only observed after 2006 whereby property prices in Malaysia have appreciated between 20 percent to 80 percent in major cities of Malaysia especially in the Klang Valley and Penang (Abdullah, 2010).

The property prices' upward trends are mainly due to the simultaneous financial measures adopted by many countries worldwide. During the global financial crisis in 2008, namely: the quantitative easing QE1 of US$1.3 trillion and QE2 of US$600 billion by the US, the economic stimulus package of US$570 billion by China, Singapore's US$13.7 billion and Malaysia's RM67 billion (US$21.4 billion). (Star Property, February 2012).

The simultaneous financial measures and economic stimuli have flooded the supply of money and have also increased global liquidity. This caused the real value of money to depreciate relatively to property. As such, the real value of money is getting "overvalued" in comparison to property's value. This has formed part of the reasons that motivate the property investment (Yee, 2012).

According to Malaysian Insider March 2012 Issue, the rapid hike in property prices in Klang Valley has also been attributed to low interest rates and surge in speculative buying. Reports have also estimated that property prices in Klang Valley had jumped from 5.9 times of income in 1989 to 10.9 times in 2010. Due to the support from players in the property industry, which are the developers, banks and the government, the property demand in Malaysia and property prices in Klang Valley are likely to see an

upward trend in the coming years. The increasing but stable prices of houses are incentives for individuals to invest in properties, hoping for capital gain and stable rental income.

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, great incentives by developers and attractive mortgage package offered by banks, have stimulated the property investment in Malaysia.

Short term investment in property ranges from 6 months to 5 years, but the most common investment plan is selling properties prior to or just after completion stage. Long term property investment is generally seen as more than 5 years, involving capital appreciation as well as source of income through rental.

There is not much academic and industrial research to investigate the investors' behavior towards property investment in Malaysia, particularly in the Klang Valley. Thus the aim of this study is to investigate the factors that influence individual to invest in property in the Klang Valley by looking at:-

(i) The financial factors and non-financial factors that motivate residential property investment decisions by individuals,

(ii) The property features that are most preferred by residential property investors in the Klang Valley.

1.2 RESEARCH QUESTIONS

In order to understand the issues pertaining to property investments in the Klang Valley area, this research explores four questions, which have been listed as follows:

(i) Why Malaysians keen in investing in residential property?

(ii) What are the financial factors that motivate the residential property investment decision in the Klang Valley?

(iii) What are the non-financial factors that motivate the residential property investment decision in the Klang Valley?

(iv) What are the residential properties' features that have been most preferred by property investors in the Klang Valley?

(v) Are there gender effects on residential property investment decision in the Klang Valley?

1.3 RESEARCH OBJECTIVES

The main objectives of this research are:

(i) To explore the reasons why Malaysians invest in residential property.

(ii) To determine the financial factors which motivate property investment decisions in the Klang Valley.

(iii) To determine the non-financial factors which motivate property investment decisions in the Klang Valley.

(iv) To identify the property features which have been most preferred by investors when making investment decision.

(v) To investigate if there is gender effect on residential property investment decision.

1.4 CONTRIBUTION OF THE STUDY

Numerous researches have studied the property investment demand in developed countries, but detailed research property demand in developing countries is still scarce. As per mentioned by Malpezzi (1999), even though the property investors' behaviors are similar across countries, developing countries in Asia present important distortions in land and bank credit policies, urban infrastructure; and law and regulation; among others.

This descriptive research will help property developers to understand the preferences of Malaysian property investors in terms of the choice of residential property investment, demographic preferences, and the property features that have been most preferred by property purchasers.

Simultaneously, this study will provide an outlook of the general behavior and investment strategies of individual investors. By understanding investors' preferences, property investors will be able to gain more understanding of their sub sales potential purchasers. This study will also help individual investors in making decision in property

investments by understanding the top features of properties that investors considering when investing in property.

CHAPTER 2 : LITERATURE REVIEW

2.1 Characteristics of Residential Property

Many researches have studied the theory of residential property demand, for example, Megboulugbe Marks, and Schwartz (1991). Accordingly, these researches have concluded that the demand for residential property could be divided into 2 perspectives, either for own stay consumption or investment (Henderson and Ionnides, 1983, Berkovee, 1989; Brueckner 1997; Lin and Lin 1999; Arrondela and Lefebvred, 2001; and Cassidy, Dennis and Yang, 2008).

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

Thus, purchasers can focus on purchasing residential property that most fit their housing needs and invest for capital gains that are most appropriate to 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).

Another research revealed that residential property can be regarded as an investment tool,; as it is fixed in geographical space, changes hand infrequently, it is a commodity which

we cannot do without, and it is a form of stored wealth which is subject to speculative activities (Orford 1999). Residential property is one of the human basic requirements; it is also a primary determinant of personal security, autonomy, comfort, well-being and status. Moreover, the ownership of property itself structures access to other scare resources, such as occupational, educational, medical, financial and leisure facilities. Housing may be termed as one of the most long-life of all durable goods.

Even though residential property can be considered as an investment tool, it defers from other financial instruments in essence. It is considered illiquid, heterogeneous (different in location, size, access to amenities and etc.) and it incurs high transaction cost as well as information cost. Case and Shiller (1989) as per agreement with Linneman (1989) commented that transaction costs such as the legal fee, stamp duty, agency negotiation fee are high to the extent of able to wipe off the potential profit. Linneman (1989) had also defined information costs as costs which include everything an individual or company spends when investigating whether a particular investment or activity is prudent and/or likely to be profitable. Other than the transaction cost in residential property transactions, there is an extensive literature devoted to explore the risk return characteristic of properties in comparison to other asset classes such as stocks and bonds (Zerbst and Combon, 1984).

Unlike stocks, bonds, commodity, and foreign exchange, property market does not have a central exchange and its information of transaction volume and value is not available to the purchasers and investors promptly. This imperfect information is attributed to the lack

of efficiency and reliable sources on market information in an organized and timely manner. Investors who intend to invest in residential property would have to rely on certain market indicators which are scattered via newspaper advertisement, property market reports as well as from verbal value checking with property valuation companies.

Ibbotson (1984) pointed out that property could not be sold instantaneously at the quoted (appraised) price for three reasons. Firstly, the appraised price is only an approximation of the market price which is unknown by itself, 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. While one share of Apple Inc Stock is as good as another, no two bungalow houses are truly alike. Lastly, even after the buyer and seller locate each other, time may be required to agree on the price and to structure what are frequently complex transactions involving, loan financing, renovation and fixing. These marketability 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 centralized auction market.

Most commodities like gold and precious metals, oil and gas, agriculture products are homogeneous in nature, but residential property is certainly not. It could be divided into landed property (townhouse, terrace, semi- detached, detached bungalow) and high rise property (low cost flat, medium cost apartment, luxury condo, duplex and penthouse). Even the same size of apartments in the same block at the same location and transacted at the same time could be traded at different price. This is due to the difference in level, and

the facing orientation. Consequently, this is the unique feature of property pricing. Furthermore, the tenure of the property could be subdivided into leasehold and freehold tenure and legal interest. These characteristics also lead to the fact that properties are not homogeneous.

2.2 Reasons for Residential Property investment

The research by Cassidy, Dennis and Young (2008) revealed that in many Asian countries, there are very strong demands in the property investment, and it has become one of the most preferred investment asset classes by the speculative investors.

A study by Flint (2000) in New Zealand on why investors invest in residential property investment depicted that rental income and long term capital gain are the main reasons for New Zealanders to invest in property. The findings concluded that New Zealand house prices have outshone the share market in the last 15 years. The barometer of New Zealand Stock Exchange 40 capital index had increased by only 10.6% in the decade from 1989 to 1999; which was in contrast to the 66% return on residential property (Gaynor 2000). The researcher also explained that the property investment is a good tool in investment diversification.

Similarly, in the Hong Kong market, Chi and Ka (2012) concluded that residential properties were favorably used to hedge against stock market risks thus being used as a diversification tool. Investors in Hong Kong preferred to invest in the stock market due to higher liquidity and lower entry costs. However, when the stock market is overpriced in

comparison to company profit levels, the stock market becomes a risky investment and thus private investors in Hong Kong will diversify into property investment. The same research also argued that rental income was one of the reasons for property investment as being able to "get rich because the tenant pays for the mortgage".

All of the above studies recognized 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)

Another research conducted in Turkey has ascertained the above reasons for property investment demand, but the research has added a reason for property investment which is to accommodate the expanding family size. The research used population growth, number of marriage and birth rate to measure this factor (Halicioglu, 2007). The population growth in urban areas has stimulated the property demand. Moreover, the marriage and birth rate have also contributed to the additional housing demand.

Instead of using population growth rate, marriage rate and birth rate to measure residential property demand, an Australian researcher, Brown (2008) had used the life cycle term to represent the family size as one the reasons for property investment. He explained that life cycle or marital status such as single, married with or without kids determine the family size and it is related to the size of housing space needed. Tan (2008) further confirmed that the demand for property investment in Malaysia is related to socio-demographic factors such as investor's stage of life cycle, the existence of children, and

family size.

From the literature presented above, we can conclude that the reasons for residential properties investment are: (1) for capital gain, (2) for rental income, (3) for diversification, and (4) for accommodating the expanding family members. Once the reasons for investment are identified by the investors, then the next would be the factors that motivate and stimulate them to invest.

2.3 Factors that motivate residential property investment

2.3.1 Financial Factors

Brown, Schwann and Scott (2008) examined the factors for property investment in Australia, and they have asserted that the most important factors were identified as permanent disposable income, ability to obtain mortgage finance and tax policy. They concluded that these financial factors are the dominant factors that drive property investment market.

In New Zealand, Flint-Hartle and De Bruin (2000) had also identified financial factors were 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 made from a survey of individuals who had responded to questionnaires inserted in 2 real estate publications in 1999. The findings are all good indicators of housing investment decisions. However, property gain tax does

not affect the property investment in New Zealand context as the gain from property is tax exempted (Flint, 2003).

In the Malaysian context, Hashim (2010) also reaffirmed that property investment is one of the tools to create personal wealth. His view was in line with Shemin (2002) who explained that property investment is the best wealth builder due to five main reasons which are property appreciation increases personal net worth; consistent rental income; able to lock in profit immediately when purchasing under value property, tax advantage, and able to invest 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's price increases by 20% to RM1.2 million, one would have a return of 200% on the cash he/she invested. This leveraging method does not apply on other investment asset classes such as stocks, commodity, and forex investments. Due to the leveraging features of property investment, the movement in interest rate, easy access to mortgage financing will influence the property investment decision.

A few researches were carried out in different countries such as in South Africa by Kupke (2005), in Turkey by Halicioglu (2007), in Norway by Jacobsen (2009) and in UK by Goodhart (2011). These researches explained that the demands for rentable property are driven by the needs for retirement income, positive capital gain outlook, stable rental income, able to reduce taxable income, and influenced from family and friends. Besides,

Halicioglu (2007) also highlighted the macroeconomics factors such as GDP growth, alternative investment such as stock exchange index, unemployment rate, income per capita are among the motivators for property investment.

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

Ming et al (2012) agreed with the above financial factors by Tan (2008) and Kupke (2005). Besides, they have added a valuable variable which is inflation rate and money supply as observed in Taiwan context. Ming et al. (2012) argued that the QE1 and QE2 measurements started in the United States after 2008 had positive impact on other countries' monetary policies. In order to keep the exchange rate stable, other countries will need to increase their money supply to stabilize the exchange rate parity and the country balance of payment position. The increment in money supply has 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 UK, which was in agreement that the inflation rate (measured by Consumer price index), nominal interest rate and real interest rate (Goodhart, 2011) are correlated to the property investment demand. A similar research which has been carried out in China confirmed the above (Chu 2004).

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

The correlation between money supply and property price seems to exist worldwide. Goodhart and Hofmann (2008) evaluated the linkage between money supply, mortgage credit, property prices and demand in 17 industrialized countries for the last three decades. They found significant evidence of multidirectional link between property price, monetary variable and the macro economy. Beltratti and Morana (2010) had also claimed in their analysis of G7 counrtries that macroeconomic variables, such as interest rate and monetary aggregates, affect property pricing. Even though the above-mentioned studies provide a potential link between housing price and monetary variables, but the way monetary variable stimulate the property investment demand in property will require further discussion. This research will try to explain house price movement from the point of investment demand and to link between the investment demand and monetary variables by examining them in Malaysia context, where there is a strong demand for property investment.

Another research in Germany provides different opinion on the relationship between inflation and property investment. Daniel Obereiner and Bjo¨rn-Martin Kurzrock's (2012) research in Germany discovered that there is strong evidence that real estate returns are almost independent from inflation in the short run. They argued that none of the investigated investment vehicles was available in the market which provided a hedge against expected and unexpected inflation at different lags. In contrast, co-integration tests showed that real estate stocks, open-end funds and special funds provided a hedge against inflation in the long term. Likewise, causality tests suggested that real estate performance is influenced by inflation in the long term.

2.3.2 Non Financial Factors

Chan (2012) stated that in terms of tax incentives, the current low real property gain tax (RPGT) regime, easy access to bank financing, flexible and long financing tenure of up to 45 years loan tenure or 75 years of age, historical low mortgage interest rate of around 4%, convenient EPF Account 1 withdrawal, attractive selling package from developers (such as Developer Interest Bearing Scheme during construction of property, free stamp duty on sales and purchase agreement) provided by developers, are among the valid reasons for increase in the property investment demand in Malaysia.

In order to improve the property sales, property developers have introduced some innovation schemes to stimulate their property sales. For example, SP Setia Bhd, the biggest property developer in Malaysia by assets, has introduced the 5/95 scheme to attract purchasers. This attractive scheme was launched in 2008, whereby qualified purchasers who can get a 95% mortgage financing from financial institution only need to

pay 5% upfront deposit and pay nothing until the vacant possession of the property. The developers will bear the progressive interest payable to the banks while the purchased properties are still under construction. Other incentives given by property developers include free legal fees on Sales and Purchase agreement, loan agreement and memorandum of transfer of title (which will cost up to 3% of property purchase price). Some property developers offer Guaranteed Rental Return (GRR) of up to 8% for the first 5 years after the property handover to the purchasers. Furthermore, some developers offer customer loyalty program with additional discount, private preview prior to public opening and customer referral scheme to further spur the property sales. These incentives given by the property developers will stimulate the property investment in Malaysia. Chan (2012) confirmed that these incentives had fueled up the property heat.

In order to avoid the property bubble caused by the access liquidities in market, the Central Bank of Malaysia has implemented the measurement to curb the property market being over heated. One of the measurements is to set a Loan-to value (LTV) ratio of 70% for third residential property financing under a single individual name. This rule also applies to joint name purchase/financing between spouse or family members. Thus property investors and speculators are required to pay 30% deposit for their third investment property. As a result, this move has slowed down the speculation sentiment. But some developers are able to cut through the obstacles by hiking up the property price and then provide up to 20% rebates in the way of credit notes to the purchasers. By doing that, purchasers are only required to pay 10% deposit as usual for the purchase of property. Apparently, this measurement by the Central Bank of Malaysia is not 100%

effectively executed, as it can only regulate financial institutions but not property developers.

On the other hand, the RHB Research Institute reported that Real Property Gains Tax (RPGT) has been imposed by the Bank Negara Malaysia as a measure to curb speculative purchases in the property market. In the recent Budget 2013, it was proposed that RPGT will be revised to the following terms: properties held and disposed within 2 years, is imposed with RPGT 15%. Properties held and disposed after 2 years & up to 5 years are imposed with RPGT 10% while no RPGT will be imposed on properties held and disposed after 5 years. The report concluded that RPGT rates imposed will affect the speculative and aggressive short term investor decision on property investment.

Nevertheless, RPGT imposed on the disposable of property ranges 0-15% is still far lower compared to the tax bracket for individuals of up to 26% on net taxable income. The lower tax applies on property gain will stimulate savvy investors to venture into property investment. The RPGT imposed by Malaysia government is among the lowest in Asia.

Naser (2009) reported another variable which is the ability to pass the property to next of kin, is considered part and parcel of Asian values. This variable is not highlighted and examined in other Western researches. The research found out that the ability of to passing to the next of kin is one of the main reasons for property investment. However, the research was conducted on public sectors employees only, with 90% of Bumiputera/ Malay ethnic group as respondents. This may not represent the actual sampling of property investors in the Klang Valley.

2.4 Gender Influence on residential property investment decision

Mellish and Rhoden (2009) have investigated the role of gender in property investment decisions. They studied the factors that encouraged 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 research found that male investors entered the buy-to-let sector as a long-term investment through rentals. Meanwhile, female investors were looking for short term flipping in property.

On the other hand, Mellish and Rhoden's findings are aligned with Flint-Hartle and De Bruin's findings, in which both concluded that women enter property investment market to gain financial independence. However, women are worried of potential risks of failures, thus viewed this sector as a short-term investment. Consequently, they have planned to sell their properties for capital gain. Regardless of different investment objectives, both male and female respondents indicated (i) favorable government housing policies (such as low property gain tax) (ii) favorable economic conditions comprised of low interest rates and competitive mortgages, and (iii) rising price of residential properties as factors that encouraged individuals to invest in London's buy-to-let property market.

A demographic study on the Behavioral Finance and Malaysian Culture by Abailty (2012) indicate that; in general, women considered themselves as risk takers. However, in

terms of risk taking propensity to invest in lifetime income and portfolio, male is more risk lover than female.

Demirel (2011) analyzed the effects of mortgage decisions of bank customers in Turkey based on the demographic and financial behavior factors. His investigation on private sector employees revealed that mortgage investment decisions are mainly affected by rent income potential whereas public sector workers are more sensitive to changes in credit specifications by banks. Another finding of the study is that the house specifications are not a crucial factor for mortgage decisions in Turkey.

2.5 Property features affect residential property investment decision

A survey conducted among public sector investors in Malaysia has concluded that other than financial factors, housing location, developer track records, quality of workmanship and near to public amenities are among the important considerations when weighing a property investment decision (Naser 2009). Another researcher claimed that guarded and gated condo and landed community are in great demand (Tan 2008)

Years ago, there was a clear line between the landed properties like link house compared to high rise properties like condominium. The former is usually individual fenced with no security and sports facilities. The condominiums, on the other hand, are equipped with tight security, and have in house shared facilities such as swimming pool, gymnasium and other sports facilities (Abdul Majid, 2008). Now the high end landed properties like those in Desa Park City and Setia Eco Park also provide such facilities on their landed

properties. The guarded and gated community properties are in great demand nowadays due to the increasing crime rate in the major cities in Malaysia. According to Yee (2012), the neighborhood safety has become the priority.

2.6 Property investment in Malaysia Context

Iproperty.com.my has completed a survery report on the first quarter of 2012, depicting that more than 43% of Malaysians purchase property for their own stay, then followed by 30% for investment purposes, and lastly 27% for capital gain.

Figure 2.1 Reasons for Residential property investment

The report also showed that almost a third (33%) of Malaysians answering the survey had owned only one property; while almost one in four (25%) Malaysians did not own any property. A significant percentage (43%) of those surveyed reported that they owned two or more properties. Again, this is an indication that the low mortgage interest rates,

financing of up to 100%, no lock in period, stamp duty exemptions and long repayment periods have made property ownership in Malaysia relatively easy.

There is also a perception among the Malaysian public that property prices in Malaysia will continue to increase, thus putting pressure on younger Malaysians to rush in buying their dream home now before prices increase further.

Among the preferred types of property, 73% of respondents chose landed property, followed by 57% of those who were more interested in private condominium or service apartments.

CHAPTER 3: RESEARCH METHODOLOGY

3.0 Introduction

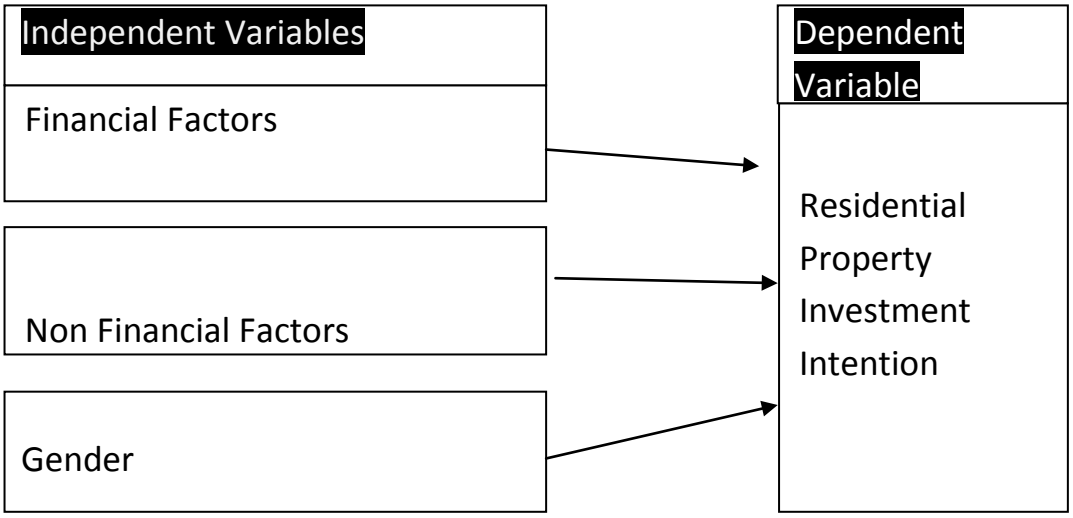
This chapter will describe the research design, followed by choice of instruments and measures. Sampling design, data collection procedure and data analysis techniques will also be elaborated in this section.

3.1 Research Design

This study employs a deductive approach whereby it starts with the examination of literature so as to derive hypotheses, followed by testing the hypotheses with the data gathered. It is designed to be conducted in which data will be gathered in a cross sectional manner for a period of 1 month by using self-administrated survey questionnaire. The sampling method used is known as purposeful sampling.

3.2 Theoretical Framework

This model was developed based on the literature by Nasser (2009). She has conducted a survey on selected government servants on the intention of investing in residential property or those who have applied for the second housing loan from the government:-



3.3 Model Specification

The model specification is as follows:

$$Inv\_int = \alpha + \beta_1 * financial\ factors + \beta_2 * Non\ financial\ factors + \beta_3 * Gender + \varepsilon$$

whereby, α is a constant term, β_n are the coefficients to be determined, and ε is the error term.

Investment_Intention = Residential Property Investment Intention.

Financial Factors = financial factors such as: disposable Income, low interest rate, Inflation hedge, retirement planning, wealth accumulation.

Non Financial factors = easy excess to Mortgage funding, low RPGT, developer's incentives, able to pass to next of kin, influenced by peers, family and friends, kids' education.

Gender = as dummy variable.

3.4 Instruments and selection of measures

A self-administrated survey questionnaire has been developed for the purpose of this research. The items in the questionnaire have been adopted from previous research studies by various authors and minor adjustments have been made according to the local context. The questionnaire consists of three parts, Section A, Section B, and Section C

Section A

In this section, respondents are requested to provide their demographic information including: gender, age range, marital status, nationality, ethnic group, occupation and household income. They are asked if they have ever purchased any property, the market value of their property on hand, or is there any possibility to increase their property investment in the following years, and likelihood of property investment intention.

Section B

This section examines the Top 3 financial factors that motivate the respondents' decision to invest in property. The questions which have been adopted from the previous are research a as follows:

Table 3.1 IV/ DV that adopted in the questionnaires.

Variables	Developed from
REASON TO INVEST	Asia Property Market Sentiment Report (2012)
FINANCIAL FACTORS	1)Asia Property Market Sentiment Report (2012) 2) Naser (2009)
NON FINANCIAL FACTORS	1)Asia Property Market Sentiment Report (2012) 2)Naser (2009)
PROPERTY FEATURES	1)Asia Property Market Sentiment Report (2012) 2)Naser (2009)

Section C

Respondents are asked to evaluate all the independent variables by using 5- points Likert Scales from 1 which indicates “strongly disagree” and 5 which indicates “strongly agree”. All the scale items are coded so that the higher score reflects higher levels of the measured construct.

Table 3.2 Measurement of IV/DV

Variable	Measurement/ Item	Developed from
Reason to invest	C1. I am motivated to invest in residential property because:- It provides regular rental income Possibility of capital gain Of my expanding family size I want to diversify my investment portfolio	1)Asia Property Market Sentiment Report 2012 2) Naser (2009)
Financial and non financial factor	C2 My residential property investment decision is influenced by the following factors:- Increase in my disposable income Low mortgage loan interest To curb high inflation rate Easy access to mortgage loan Low RPGT Able to accumulate wealth in long run Developers incentive package Able to pass to next of kin Influenced by family/ friends and peers For child/ children's education For future retirement	1)Asia Property Market Sentiment Report 2012 2) Naser (2009)
	C3 Other factors that I will consider when investing in residential property are location Easy to rent out Close to amenities Reasonable price Guarded and gated End product quality and workmanship Developer's track records New developer VS. pricing	1)Asia Property Market Sentiment Report 2012 2)Naser (2009)

3.5 Development of Hypotheses

This research will test the following hypotheses:-

H1 : Financial factors are significantly related to individual residential property investment intention.

H2 : Non-Financial factors are significantly related to individual residential property investment decisions.

H3 : There is a significant difference between male and female in terms of the reason for investment.

3.6 Sampling design

Purposeful sampling is used for this research. The unit of analysis for this research is the individual property investors, or individuals who are interested to invest in property investment. Private emails are sent to the following popular property online forums such as:

(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 are using English language as the medium of communication, thus they are opened to all ethnics groups. However, from the first 50 responses received online, the responses from Malays/Bumiputera forumers are somewhat discouraging. In order to encourage more Malays and Bumiputera ethnics' participation, questionnaires are also distributed via private email invitation to Malay language medium forum which is (iv) Carigold.com.

The property forums offer free registration to sign up as a member. Only members can participate and contribute their ideas and comments about a certain projects or topics. Any member can start a new thread about a project he is interested to invest in or already invested. Other members are allowed to give their comments on the same project, by sharing their opinions such as location, pricing of the property, track records of the

developer's previous projects, incentives given by the developers, or bank financing issues. Some members who have close connection with developers might form a purchasing group, gather the interested names from the forum, and obtain access to the purchasing of the new launched properties, prior to the opening to the public official launching. Group purchases allow the interest group to negotiate for better pricing with developers or have privilege to pick the choice units. This advantage attracts many investors to visit the property forum for seeking the latest information and group purchase opportunities.

3.7 Data collection procedures

For pilot test, around 20 sets of hardcopy questionnaires are distributed to respondents for checking on any ambiguity. The responses were discouraging as some potential respondents refused to participate. This was due to the fact that some of the information requested in the questionnaires was sensitive, such as age, monthly income, value of properties invested and etc. Judging from this valuable feedback, all data will be only collected via Survey Monkey online method, so that the respondents can keep their identity and personal particulars confidential.

3.8 Data Analysis Techniques

The data collected has been analysed by using Statistical Package for Social Science (SPSS) Version 20.0. First of all, descriptive statistics such as frequencies, distributions, means and standard deviations are used to develop a profile of the respondents and to summarize the variables.

Then factor analysis technique is used to group the relevant independent variables and eliminate the irrelevant independent variable, reliability test was run on the independent variables.

Multiple Regression Analysis is used to test hypothesis H1, H2 and H3. For H3, gender variable has been transformed into a dummy variable and has been included in the multiple regressions so that its significance could be tested.

CHAPTER 4: RESEARCH FINDINGS

4.1 Result and Interpretations

SPSS Version 20.0 has been used for analyzing the empirical data in this study. Details of the analysis conducted and the respective result interpretations will be discussed in the next sections.

4.2 Response Rate and Respondents' Profile

About 2000 invitation emails were sent out to 4 property forums' members. In the emails, Survey Monkey web link had been provided. There were 302 returned responses over a period of 1 month. A filtering question was asked in Section A: "Have you ever purchased or jointly purchased any residential property before?" Respondents who answered "No" would not be required to answer the subsequent sections B and C, and the questionnaire at that point only and will lead the respective respondents to the final page.

There was no missing or incomplete information in these online questionnaires, as all questions were compulsory to be answered before proceeding to the following pages. Out of the 302 respondents, 251 respondents had purchased residential property before and they had completed all sections of the questionnaire. The remaining 51 respondents had not purchased any residential property thus they had managed to complete Section A. This group of respondents was excluded in the hypothesis.

The overall response rate was (302/2000)/2000*100% = 15%, which is considered acceptable for online survey. Descriptive statistics has been conducted to develop a profile of respondents. A summary of the respondents' profile is listed below:-

Table 4.1: Frequency Distribution and Respondents' Profile

Variable	Frequency	%		Variable	Frequency	%
Gender				Nationality		
Female	45	18%		Malaysian	250	99
Male	206	82%		Foreigners	1	1
	251	100%			251	100%
Age				**Education**		
18-30	83	33%		Primary	2	1%
31-40	125	50%		Secondary	6	2%
40-50	37	15%		Professional Cert	12	5%
50-60	6	2%		Diploma/Degree	186	74%
	251	100%		Master & Phd	45	18%
					251	100%
Ethnic				**Marital Status**		
Bumiputera	70	28%		Single	100	40%
Chinese	165	66%		Married without kid	45	18%
Indian	15	6%		Married with kid(s)	103	41%
Others	1	0%		Divorced with kid(s)	1	0%
	251	100%			251	100%
Residing State				**Income Level**		
K. Lumpur	80	32%		< RM2500	17	7%
Selangor	133	53%		2501 – 5000	55	22%
Others	38	15%		5001-7500	50	20%
	251	100%		7501 – 10,000	37	15%
				10,001-15,000	46	18%
				15,001 – 20,000	21	8%
				Above 25,000	26	10%
					251	100%
Ever Puchased residential Prop?				**Value of Prop on hand***		
Yes	251	83%			4	2%
No	51	17%		Below 25K	59	24%
	302	100%		25K – 500K	70	28%
				501K - 1mil	75	30%
				1mil – 3mil	14	5%
				3mil – 5mil	10	4%
				5mil – 10mil	10	4%
				10mil – 20 mil	9	3%
				Above 20mil	251	100%
Will youincrease propertyinvestment?*				**How much will you increase your investment?***		
Yes	209	83%				
No	42	17%		< 50%	115	45%
	251	100%		50%-100%	103	41%
				101%-200%	28	11%
				201% - 500%	3	1%
				>500%	2	1%
					251	100%

For the purpose of analysis, we will only analyze based on 251 respondents who have completed all the sections in the questionnaires. Male respondents made up of 82% (n= 206), while the remaining 18% (n=45) respondents were female. The higher male respondents' rate was mainly due to more male property investors in the investors' population. It could also due to the number of male profiles in the online property forums compared to female profiles.

As these forums' main theme is about Malaysian Property investment, it has managed to attract more Malaysian participants (99%). The only foreigner who responded to the questionnaire had made a remark that he is married to a Malaysian spouse and is currently residing in Selangor. Of all the Malaysian respondents, 85% live in Kuala Lumpur or Selangor whereas the remaining 15% of respondents are either living in other states of Malaysia (10%) or residing in overseas (5%).

In terms of ethnicity, Chinese ethnic constituted 66% (n=165), Bumiputera 28% (n=70), and followed by Indian ethnic by 6% (n=20). The over-representation of Chinese ethnicity could be attributed to 2 factors. The first factor is the higher percentage of Chinese ethnic population in urban area compared to rural area, as 85% of the respondents are either residing in Kuala Lumpur or Selangor. The second factor is due to Chinese culture and beliefs. In Chinese culture, getting one's own home is often a priority especially when one is getting married or starting a family. Nevertheless, this research has adequate number of other ethnic respondents, i.e. Bumiputera (n=70) and Indian (n=15) for the purpose of analysis.

Marital status was asked in the questionnaire as it is a significant factor for the residential property investment as per highlighted by the literature studies. 41% (n=103) of the respondents were married with kid(s), followed by single participants by 40% (n=100). 18% of respondents (n=45) were married without kids.

In terms of age, half of the respondents (50%, n= 125) was in the age range of 30-40 years old, followed by 33% (n=83) in the 18-30 years of age group, Only 15% was in the 40-50 years old group (n=37), and a small percentage of respondents was in the 50-60 age group (2%, n=6). None of the respondents was older than 60 years old.

The online property forums has attracted more educated respondents, 92% of the respondents have completed their tertiary education. Altogether, 74% (n=186) of the respondents possess a diploma/ degree and 18% (n=45) with a Master's/ PhD qualification.

In terms of monthly income level, majority of the respondents earn between RM2500 - RM5000 (22%, n=55), followed by RM5000-RM10,000 (20%, n=50). A small percentage of respondents earn less than RM2,500 per month (7%, n= 17). Lastly, 36% of the respondents earn more than RM10,000 per month which was not a surprise as higher income enabled them to have more money to invest.

From these 251 respondents, a quarter of them owned property in the value range of 25K to 500K. The majority, 30% (n=75) owned property in the portfolio of RM1.0- 3.0mil, followed by 28% (n=70) who owned a property portfolio between RM500K to RM1mil. There was more than 6% (n=19) of the high net worth investors who owned more than RM10 mil property portfolio.

70% (n=208) of respondents have intention to increase their investment within the next 3 years. But majority of them would only increase less than 100% based on the property portfolio that they were holding at the point of survey. Some respondents commented on the remarks that the current property price was relatively high and they would invest very selectively and carefully. Around 2% of the respondents (n=5) would double up their property investment portfolio.

4.3 Frequency Analysis on Property Investment

4.3.1 Top 3 Reasons for Property Investing

Table 4.2 Reason for investing

REASON FOR INVESTING	FREQUENCY/ Valid Percentage
1)For Capital Gain	**74%**
2)For Rental Income	**57%**
3)For diversifying investment portfolio	**43%**
4)For accommodating the expanding size of family.	26%

Property investment is an investment tool, which is similar to stocks, bonds and mutual funds. It provides either capital gain or income cash flow or a combination of both. In the context of equity, income cash flow is in the form or dividend distributions, rights issues, share split, and bonus distributed. On the contrary, for property investment, cash flow comes in the rental form. One of the features of property is for own use or for other family members' usage as supported by the literature study in Chapter 2. Therefore the reason of investing in property could be attributed to accommodate the expanding size of family.

Respondents were asked to pick their reasons of investment, and they were allowed to pick more than one reasons with no maximum limit of choices. Approximately 74% of the respondents revealed that the main reason for them to invest was for capital gain, seconded by 57% investing for regular monthly rental income. 43% of respondents believed that property investment is a good tool for diversifying their investment than other investment tools. The least important reason was to accommodate expanding size of family. These also explained that most of the home purchasers could be investors or flippers instead of purchasing for own use/consumption.

4.3.2 Top 3 Financial Factors

Table 4.3 Financial Factor Analysis

FINANCIAL FACTORS	FREQUENCY/ Valid Percentage
1)For curbing high inflation	**74%**
2) For increasing in disposable income	**65%**
3) For wealth accumulation	**65%**
4)Low Bank Interest	54%
5)Easy Access to financing	35%
6) Low Real Property Gain Tax (RPGT)	12%

In Chapter 2, many researchers have identified the financial factors as the dominant factors that motivated the residential property investment. Respondents were requested to pick any 3 financial factors that they thought to be the most important factors. From the questionnaires, 74% of respondents believed that property investment is for long term and it is the best hedge against the inflation. There are equal numbers of respondents indicating that “increase in disposable income”, and “wealth accumulations” are the important motivators for property investment. Apparently, the increase in disposable income would stimulate the property investment intention but from the data collected,

this was evident mostly to the lower income group especially those who earned income below RM7500.

Meanwhile, most of the respondents agreed that property investment brings rewards and profit, and is capable of accumulating wealth in long run. This is consistent with the investment Guru's quote that: "one thing that the rich uniformly have in common is that almost without exception – the rich either made their wealth in real estate or they keep their wealth in the form of real estate (de Ross, 2002).

4.3.3 Top 3 Non Financial Factors

Table 4.4 Non Financial factor Analysis

NON FINANCIAL FACTORS	FREQUENCY/ Valid Percentage
1)For retirement plan	**74%**
2)Developers incentive such as DIBS	**52%**
3)For children's education plan	**48%**
4) To be able to pass to Next of Kin	18%
5)Influence from Friends/Family	18%

For non-financial factors, majority of the respondents (74%) have chosen retirement plan, as the main motive for investing in property. The obvious reason is that the rental income provides regular cash flow especially to retirees. Another view is when the property appreciation achieves the pre-determined targeted price, investors are able to lock in the profit by disposing the property, and keep the profit for retirement needs. More than half of the respondents (52%) trusted that the developers' incentives such as DIBS scheme, freebies like free air-condition units and other home appliances and free monthly maintenance fees would 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 invested in property when they had a new member (new born baby) joining their family.

4.3.4 Property features that are most preferred by property investors

Table 4.5 Most Preferred Property Features

	Minimum	Maximum	Mean	Std. Deviation
Location	2	5	4.61	.571
Rentability	1	5	4.23	.707
Amenities	2	5	4.25	.656
Price	1	5	3.48	1.079
Security	1	5	3.97	.774
Workmanship	1	5	3.99	.688

Respondents were requested to rank from the scale of 1 (strongly disagree) to 5 (strongly agree) for the consideration that they had made when investing in property. There were 3 features i.e. 1) Location, 2) Rentability, and 3) close to amenities which had scored above 4 for the Mean Score. These were followed by 4) Developers' workmanship and quality, 5) Guarded and Gated community for better security and 6) Reasonable prices. All features have a strong scores of above 3.4, implying that these have been the important features of consideration when investors made their property investment decision.

4.4 Descriptive Analysis

Table 4.6 Means for Independent Variables

Factors	Mean	
	Statistic	Std. Error
Disposable Income	4.07	.043
Bank's Interest Rate	3.90	.048
High Inflation	4.03	.048
Easy Access to Mortgage Loan	3.79	.047
Real Property Gain Tax	3.86	.049
Wealth Accumulation	4.03	.058
Developers Incentives	3.81	.044
Able to pass to Next of Kin	3.58	.048
Influence from friends and family	3.21	.051
Planning for children's education	3.85	.049
Planning for retirement	4.23	.042

The mean and standard deviation of all the variables are summarized by the above table. The majority of the items have a mean of 3.2 to 4.2, meaning that the findings of this study suggested that majority of the respondents agreed with the relationship between the dependent and independent variables. Therefore, these factors are important in their residential investment decision.

4.5 Factor Analysis

Factor analysis is a data reduction technique used to reduce a large number of variables to a smaller set of underlying factors that summarize the essential information contained in the variables.

Table 4.7 Viramax Analysis

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.002	27.291	27.291	3.002	27.291	27.291	2.341	21.280	21.280
2	1.424	12.947	40.238	1.424	12.947	40.238	1.735	15.774	37.053
3	1.219	11.082	51.320	1.219	11.082	**51.320**	1.569	14.267	51.320
4	.983	8.940	60.260						
5	.839	7.628	67.888						
6	.807	7.338	75.227						
7	.744	6.762	81.989						
8	.615	5.593	87.581						
9	.483	4.394	91.975						
10	.455	4.136	96.111						
11	.428	3.889	100.000						

Extraction Method: Principal Component Analysis.

Varimax method is used to analyze the factor analysis whereby the above table displays the total variance explained in three stages. With reference to the eigenvalues, it is expected that the three components to be extracted because they have eigenvalue of greater than 1. If these three components were extracted, then 51% of the variance would be explained.

Table 4.8 Rotated Component Matrix

	Component		
	1	2	3
High inflation	**.772**		.162
Low Bank's Interest	**.603**	.214	
Wealth Accumulation	**.603**	.238	
Retirement Planning	**.570**		.461
Disposable income	**.540**	.199	.235
Easy to get loan	.182	**.744**	
RPGT	.267	**.647**	
Influences from friends	-.305	**.578**	.227
Developers' incentives	.388	**.513**	
Planning for children's education	.226		**.817**
Pass to Next of Kin		.133	**.738**

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 7 iterations.

Table 4.8 shows the Rotated Component Matrix, in which, rotation reduces the number of complex variables, and improves interpretation. Component 1 consists of 10 variables ranging from 0.226 to 0.772 and so forth for Component 2, and 3. The "influences from family and friends" variable appeared to be the lowest value, and this variable also appeared in all 3 components in the Rotated Component Matrix (Table 4.12). So we exclude this variable from analysis as it is considered not relevant from the model.

For analysis purpose, we select the highest value of each variable from each component and then form 3 groups as follows:-

a) **Factor 1** includes variables such as inflation hedge, low bank interest, wealth accumulation, retirement income, and increase in disposable income. As these

variables are related to dollar and cents, so we rename this group as "FINANCIAL BENEFIT FACTORS"

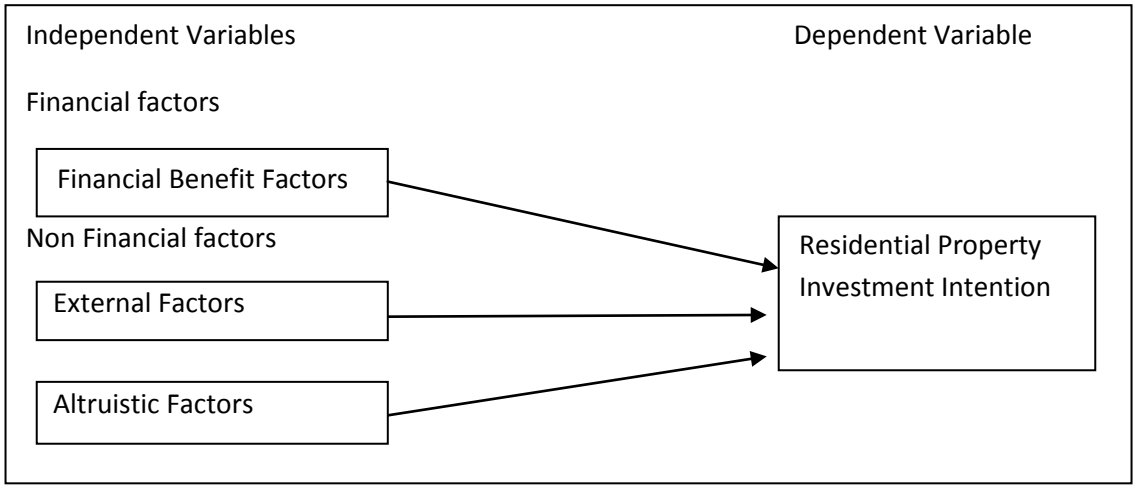
b) **Factor 2** consists of the following variables such as easy access to mortgage loan offered by banks, the property gain tax RPGT by government, and incentives and freebies given by developers. These variables are out of the control by the investors themselves so we rename this group as "EXTERNAL FACTORS"

c) **Factor 3** consist of 2 factors which are planning for children's education and able to pass to next of kin, in which both factors are interrelated and could be grouped as "ALTRUISTIC FACTORS"

Both Factor 2 and Factor 3 are non-financial factors.

The factor analysis has concluded the following factors groups: -

Figure 4.1



4.6 Reliability Test

The reliability test mainly evaluates the consistency of a construct in measuring a specific conceptual framework. Cronbach's alpha method is used to measure the internal consistency of the variables employed in this study. Based on the above reclassification of the 3 groups by using factor analysis, we have obtained the following scores:-

Table 4.9 Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.533	.539	3

The Cronbach's score is at 0.533. As a conclusion, results from both factor analysis and reliability test have supported the goodness of the survey instruments used for this study. The items in both independent and dependent variables are valid and reliable in measuring the concept as intended.

4.7 Multiple Regression Analysis

Multiple regression analysis may be used whenever a quantitative variable, the dependent variable (Y) is to be studied as a function relative to the independent variable (X).

The appropriate variables were chosen in this research based on the previous research done by other researchers, on the factors that motivate residential property investment. Multiple regression analysis is selected to test the theoretical framework of this study and the results are shown in the followings sections:-

Table 4.11 Multiple Regression Analysis Summary

Model		R	R Square	Adjusted R Square	
1		.761	.582	.574	
Model		Standard Coefficients		t	Sig.
		Beta	Std. Error		
	(Constant)	-.276	.253	-1.095	.275
	Financial Factors	.453	.012	9.247	.000
	External Factors	.413	.017	8.776	.000
	Altruistic Factors	.110	.021	2.433	.016
	Gender	.043	.071	0.979	.329

The coefficient of determination of the model (R square value of 0.582), indicating that 58% of variation in dependent variable (residential property investment) can be explained by the independent variables included in the regression. In a separate note, a total of 42% of the variance of the criterion is unaccounted for. The results suggest that the model of this study is reasonably constructed and it has explained more than 50% of the residential property investment.

Based on the above table, the t-test indicates that the first 2 groups of independent variables are significant as all are with P value that < 0.05. Thus, it means financial factors are significant at 5% level.

H1: Financial factors are significantly related to individual property investment decisions.

With this, we accept the H1 and reject null hypothesis.

If we combine the external factors and altruistic factors into non-financial factors we can hereby conclude that:

H2: Non-Financial factors are related to individual property investment decisions. We therefore accept the Alternative Hypothesis H2, and reject Hypothesis 2

H3: There is a significant difference between male and female in terms of the reason for investment

For H3, the p value is 0.329 or > 0.05, so we reject H3 and accept the null Hypothesis. It is hereby concluded that there is no significant difference in gender in terms of reason for investment in Malaysian context.

Based on the above results, the regression equation could be illustrated as follows where the standard deviation is stated in parentheses:-

Inv_Int = -0.276 + 0.453 Finacial benefit factors +0..413 external factors + 0.11 Altruistic factors

(0.0253) (0.012) (0.017) (0.021).

The beta coefficient value implies that one unit increase in financial benefit factor, will result in respondent's intention to invest in residential property by 0.453 units and vice versa. Based on the finding of this multiple regression, the financial benefit factors, external factors, and altruistic factors have a positive relationship towards the residential property investment in Malaysia.

4.8 Multicollinearity issues

Model stability will be jeopardized in the presence of collinearity problem amongst the independent variables. To determine the degree of collinearity of the model, instruments such as Variance Inflation Factor (VIF), Tolerance and correlation are commonly used in detecting the collinearity problem.

Table 4.12 Multicollinearity Analysis

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Financial Benefit Factors	.773	1.294
	External Factors	.838	1.194
	Altruistic Factors	.906	1.104

Tolerance measures the proportion of variability in each predicting variable that remained unexplained by its linear relationship with other predictors in the model. Since tolerance is calculated and expressed in percentage, the value could range from 0 (perfect collinearity) to 1 (no collinerity). The table shows that the tolerance level ranges from 0.773 to 0.906 and implies that the likelihood of multi-collinearity in the new estimated model is very low.

As a rule of thumb, VIF on social science research should not exceed 3in order to be free from collinearity problem and VIF for the three significant variables the new estimated model is low at 1.294, 1.194 and 1.104. This provides further support of no multi-collinearity issues.

4.9 Summary Result of the Hypothesis

Table 4.13 Summary Result

Hypothesis	Results	Implication
H1: Financial factors are significantly related to individual property investment decisions.	Accept H1	Financial factors motivates the property investment decision
H2: Non-financial factors are significantly related to individual property investment decisions	Accept H2	Non-Financial factors motivates the property investment decision
H3 : There is a significant difference between male and female in terms of the reason for investment	Reject H3	Gender difference does not support the reason for investing in residential property investment

CHAPTER 5: DISCUSSION AND CONCLUSION

5.1 Discussion

This chapter will critically evaluate the research findings from Chapter 4 and evaluates the implication of the study from business and investment perspectives. In addition, a comparison between the current study and prior research is discussed in details before concluding the research.

The empirical study reveals that different investors have different reasons for investing in property. Hence, these research findings depict that the reasons to invest are for capital gain, rental income, to diversify the investment portfolio and accommodating the size of family. This is consistent with findings in other similar researches done worldwide which could be summarized as follows:

Table 5.1 Summary on reasons for investing

Country	Previous Study	Reason for invest	Research Result
New Zealand	Flint (2000)	Capital gain Rental Income Diversified portfolio	Supported
Hong Kong	Chi and Ka (2012)	Diversified portffolio	Supported
UK	Sirman & Sirman (1987)	Diversified portfolio	Supported
UK	Mellish & Rhoden (2009)	Capital Gain Rental Income	Supported
Australia	Brown (2008)	Family size Capital Gain	Supported
Turkey	Halicioglu	Family Size Capital Gain	Supported

For analyzing the financial benefit factors that motivate the residential property investment, the research also conclude that financial factors such as the hedge against inflation, wealth accumulation, increase in disposable income, low interest rates, and retirement plan are the main reasons for the residential property investors. Our research findings concluded that property investors are afraid of inflation, and the property investment is the best hedge of inflation, among other investment tools. For easier comparison, some respondents compared the price of the house purchased by their grandparents, parents and their current value against the initial purchase price. The price difference justified that property investment is one of the best hedge on inflation.

Property investors who had invested in properties in the Klang valley since 2006, had seen the handsome profits of ranging from 20-80%. Therefore, majority of investors agreed that property investment is a good wealth accumulation tool. The respondents also concluded that the 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 EPF may not be sufficient for their retirement.

The current mortgage loan of around 4% is at its historical lowest rate and the investors are in 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 4 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, developer interest bearing scheme (DIBS) during the construction, have motivated younger investors especially the Generation Y. The developers' incentive of low down payment provides an easy entry for Generation Y.

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.

The mortgage loan business is considered the safest lending which is mainly due to (1) the mortgage loans are fully secured by property as collateral with only 70-90% margin given, (2) The risk will be reduced when the property pledged appreciates, (3) The lending risk reduced over time when borrowers serve their loan installment and loan principal would be reduced accordingly. Some foreign banks like HSBC and UOB even offer pre-approved loans to potential borrowers, with the exemption of submitting income documents, if the borrowers only require 50% loan of the total value of the property. The easy access to mortgage loan has stimulated the residential property investment.

Comparatively, government's RPGT has the least influence on the property investment decision as the recent RPGT rate of up to 15% is considered mild compared to the

personal income tax bracket of up to 26%. Furthermore, for longer term investors who have invested for rental income, they are not required to pay RPGT if they dispose the property after 5 years from the date of purchase.

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 behavior in this context is the concern for the welfare of others and unselfish attitude. The research has 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.

The findings of the research are compared to the previous studies and are summarized as follows:-

Table 5.2 Independent Factors summary

Independent Variables	Previous Study	Research Results
Disposable income	Halicioglu (2007) Brown (2007) Ming et el (2012) Tan (2008) Chi & Ka (2012)	Supported
Inflation hedge	Daniel Obereiner (2012) Chu (2004) Goodhart (2011) Ming (2012)	Supported
Interest Rate	Wang (2001) Halicioglu (2007) Fontela 2009) Ming (2012) Tan (2008) Jacobsen (2007)	Supported
Wealth Accumulation	Brown (2008) Tan (2008) Flint (2000)	Supported
Retirement Income	Naser (2009) Kupke (2005) Flint (2000) Daniel Obereiner (2012)	Supported
Easy access to loan	Brown (2008) Tan (2008) Naser (2009)	Supported
RPGT	Naser (2009) Tan (2009)	Supported
Developer Incentive	Naser (2009) Tan (2009)	Supported
Influenced by Friends/ Family	Kupke (2005)	NOT Supported
Next of Kin	Naser (2009)	Supported
Kids education	Naser (2009)	Supported

5.2 Other Findings and Discussion

There were 8 respondents who refused to complete the ethnic column, and include comments such as “irrelevant”, “1 Malaysia”, “Malaysian” as answer. Moreover, 3-4 respondents were unhappy with the discount policy offered to all Bumiputera purchasers regardless of the property value. They believed that the Bumiputera discount, a policy

implemented as the result of the New Economic Policy (NEP), should help the poor to own their houses. Thus the discount should be given to all races who earn below the poverty line for low cost housing. On the contrary, Bumiputera discount should not be offered to Bumiputera of all income groups and for all types of properties, especially to Bumiputera buyers who purchase luxury properties above RM1mil.

These respondents are in the opinion that Bumiputera buyers who can afford luxury properties at expensive price tag should not enjoy additional discount. They believed that when property developers are forced to give such discount to Bumiputera purchasers, the developers will transfer the cost of discounts to non Bumiputera purchasers. This has resulted in non Bumiputera purchasers are subsidizing Bumiputera purchasers.

5.3 Conclusion

5.3.1 Theoretical Implication

The study confirms that financial benefit factor, external factors, and altruistic factors motivate the residential property investment in Malaysian context, with the exception of the “Influences from family and friends” factor, by the justification given in the previous chapter (Chapter 4).

The research also concludes that in Malaysian context, gender does not play a role when deciding whether the investment is for long run rental play or short run capital gain as per suggested by Mellish and Rhoden (2009).

5.3.2 Investment Implication

When investing in a residential property, location, easy to rent out, close to amenities like transportation, shopping malls, and schools are among the most important factors to be considered. Furthermore, reputation of the developers, the workmanship and quality delivered by the developers are also important factors to be analyzed. 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 the property developers to understand the needs of their potential customers/ investors.

5.4 Limitation of the Study

There are a few limitations of this research. Firstly, due to time and financial constraints, the sampling frame was limited to the 4 property forums only. As such, the results could not be generalized to reflect the overall investors that have invested in the Klang Valley. 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, whereby the investors will also invest in other types of properties at the same time such as commercial properties like shop lots, shop houses, office, SOHO/SOVO, retail units in shopping mall or even agricultural land. The factors that motivate such investment could be different from one another.

Thirdly, the study has difficulties to obtain responses from the high net worth individuals since some information required such as monthly income, value of property in hand could be too sensitive for this group of investors to reveal. Thus it may not a good representation of the entire property investors' population.

5.5 Suggestions for Future Research

This research paper is mainly concentrated on individual property investors. Further research will require more coverage for other types of respondents. It could include the institutional investors and corporate investors who invest the residential property in bulk and rented out for profit, such as student accommodations near colleges and universities, workers' hostel near industrial estates, and etc.

Another suggestion is the area coverage. Instead of focusing only in Klang Valley, the research could be extended to the other major cities in Malaysia, such as Penang, Johor Bahru and cities in East Malaysia. The area coverage could be further extended so as to compare among countries such as comparing Kuala Lumpur with other major capital cities in the South East Asia, such as Singapore, Bangkok, Jakarta and Manila.