

# Dual process of dual motives in real estate market Indonesia

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# Dual process of dual motives in real estate market Indonesia

Dual process  
of dual  
motives

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## Abstract

**Purpose** – The dual process of thinking between conscious processes and unconscious processes generate a different decision. Thinking consciously produces rational decisions. However, a person's cognitive limitation makes him or her simplify complex scenarios and think implicitly result in making decision in heuristics or rules of thumbs. This paper aims to evaluate patterns of decision-making relationships and dual motives for home purchasing by first home buyers and family life cycle in Indonesia.

**Design/methodology/approach** – Collecting data was done by distributing questionnaires to home buyers within three years (2013-2016). Further data were processed using ANOVA based on group of dual motives, time for buyer and family life cycle.

**Findings** – The results show that buyers have consumption motives in buying a residence and they behave rational, while investors prefer to buy an apartment and tend to behave heuristics. Dual motives of time for buyers are not significant to decision model. Family life cycle is significant to decision model based on dual motives.

**Originality/value** – This is an unpublished dissertation study to qualify for graduation.

**Keywords** Heuristics, Rational, Dual motives, Dual process, Family life cycle, Time for buyer

**Paper type** Research paper

## Introduction

Every individual makes decision using logic or heuristic. The rule of logic is associated with reasoning, whereas heuristic is associated with intuition (Gigerenzer and Gaissmaier, 2011). Decisions that are made with the absence of rationality but emotional lead an individual in making mistakes when making a decision (Kahneman and Tversky, 2000; Gilovich *et al.*, 2002). This condition occurs because of a dual process thinking that consists of a conscious (controlled) or explicit process and an unconscious or implicit process that results in rational decision-making or irrational decision. The decision of explicit or rational thinking (reasoning-system 2) is a decision that maximizes alternative choices (Fishburn, 1970; Keeney and Raiffa, 1976). However, when facing a large number of data and information, the cognitive ability of an individual is not able to analyze optimization in a complex way. Cognitive limitation causes an individual to simplify a complex scenario and think implicitly (intuition-system 1) which results in making heuristic or rules of thumbs decision (Kahneman and Tversky, 1974; Einhorn and Hogarth, 1981; Jungermann, 1983).

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de Bruin and Flint-Hartle (2003) show that property investors in New Zealand behave heuristically to overcome the complexity of cognitive information processing. The higher the complexity of the problem, the more limited the search for information by heuristic behavior. Information processing system is limited by a short-term memory so that heuristic behavior extracts information when evaluate it. As a result, decisions are made to be biased and inefficient (Simon, 1978a). Case *et al.* (2012) also stated that investors in real estate market act irrational. They buy a house at a high price with the hope that the future price will increase. Investors do not take into account the risks properly and act as if increasing price can guarantee the future (Fitzpatrick and McQuinn, 2007). This condition shows investors' behavior changes from rational to irrational, however, not at the same time. Investors' knowledge develops gradually during searching process, so that investors should decide their position in making decision naturally due to their environment (Polic, 2009). Thus, certain behaviors that may be rational for a particular individual cannot be equated to other individuals' behaviors, depending on the degrees of rationality of each person (Simon, 1993).

The functions of the house are consumption and investment (Henderson and Ioannides, 1983). The growth of the net wealth of the individual will affect the motives of consumption and investment when deciding the purchase of the house. A house that is occupied by its owner is bought for consumption motive, regardless the investment motive. On the other hand, when choosing portfolio, a house is considered as an asset investment; regardless the consumption motive (Shiller, 2007), to lessen risking portfolio mixed assets (Seiler *et al.*, 1999; Hoesli *et al.*, 2001). Consumption motive occurs because of many factors; pleasure, satisfaction and non-economics benefit from the occupied house. Whereas, investment motive occurs because of potential financial gain and wealth accumulation when purchasing second house, even though Higgins (2013) stated that first house or second house cannot always be categorized as investment if it is an asset in balance and part of family financial plan (in Wiens, 2013, June).

Dual motives model from Henderson and Ioannides was investigated further by Ioannides and Rosenthal (1994) to measure housing demand in America, and the result showed that portfolio motives model which is consumption motive, is the stimulus decision in purchasing houses. On the contrary, the result in Arrondel and Lefebvre's (2001) research in measuring housing demand in France using the same dual motives model showed that the stimulus decision in purchasing houses is investment motive. When the research was conducted in Spain, this model cannot explain the reason for the purchase of a house (Arrondel *et al.*, 2007). Inconsistent results show the weaknesses of the Henderson and Ioannides models, as they cannot always reflect the portfolio perspective of purchasing decisions in those three countries. The existence of contradictions on the results of dual motives research above makes it necessary to conduct further research on the property market in Indonesia.

Demographic factors of age, education, income, family size (Ioannides and Rosenthal, 1994; Arrondel and Lefebvre, 2001) as well as decision-making behavior are stimuli of purchasing decisions. First home buyers (FHB) need a house for living, but they are in financial trouble because their income is relatively low. The amount of income and the approved loan will determine the price of the house that can be purchased, so considerations of house selection related to financial decisions are done rationally (Goss, 2010; Monico, 2013). Whereas, not FHBs are already on better economic level, their household burden has started to decrease. The investment stimulus is stronger than consumption because the family can set aside their income as savings and has accumulated their wealth (Hood, 1999). However, Burns (2009) points out when investors are searching for a particular residence

and location, they involve emotional and sentimental factors. Investors are not involved in formal and comparative risk analysis, so it is not effective to process risks and uncertainties at optimally. Financial information such as ratio loan to value and capitalization rate also encourage investors to act irrationally.

This research was conducted in Surabaya as one of the second largest cities after Jakarta, the capital city of Indonesia. Also, Surabaya has stable economic growth and conducive security conditions. In addition, Surabaya was also selected as one of the cities of five cities in Asia including Colombo, Sri Lanka; Faisalabad, Pakistan; Irbid; Chittagong, Bangladesh with the purpose of property investment (Pamudji, January 2015). Surabaya experienced an increase in house prices in the first quarter – 2017 (qtq 3.04 per cent) and is predicted to be the highest of 7.67 per cent per year compared to cities in Indonesia (Bank Indonesia, 2017). This research will examine the factors of dual motives that are inconclusive because they have not yet observed the dual process in a person when making decision. Previous research was also very limited to discuss dual motives and dual process at time for buyer and its relation with family life cycle. The composition of the writing is as follows. It is started with a literature review on real estate behavioral, dual process measurement, dual motives of housing wealth accumulation and building hypotheses. The third section shows the research's methodology followed by data analysis and discussion. The final section is a conclusion and suggestion for further research.

## Literature review

### *Behavioral real estate*

Investment is a sacrifice to make to get an expected profit for the future (Jaffe and Sirmans, 1989). Types of investment are distinguished between financial investments and real investments. Real estate is one of the investment products which is approved because of needs in real estate market and integrated stock market. Even Seiler *et al.* (1999) and Hoesli *et al.* (2001) recommend investors to do diversification portfolio on real estate product to lessen direct real estate risk in mixed assets portfolio such as stock, bond, option or futures. Investors who do direct real estate also get volatility risk which decreasing through diversification escalation, and total return portfolio escalation (Byrne and Lee, 2003).

Traditional financial theory states that investors act rationally by calculating all available information in decision-making process (Kishore, 2006). However, information flow and real estate market knowledge are not consistent. This happens because real estate market is inefficient; value is determined by market and price is made from negotiation. Investors act based on intuition or emotion in decision-making process (Diaz, 1990, 1997; Gallimore, 1994, 1996; Wolverson, 1996; Hardin, 1999; Levy and Schuck, 2005). Hereafter, there will be a shifting research to behavioral finance which tries to explain the inability of expected utility maximization theory that talks about investors' behavior in efficient market. Behavioral finance evolves to explain economic decision which is done by an individual by combining behavior theory, cognitive psychology, conventional economy and financial theory. Behavioral finance seeks to overcome inconsistency in research's outcome about human's behavioral, either in individual or group, by explaining why and how of the impact to market which might be inefficient.

Farlow (2004) showed determinants of house prices in efficient market are income, interest rate, demographic changes, credit availability, and tax structure. Case and Shiller (1989, 1990) stated that change in house's price has strong positive autocorrelation until three-year period, yet change in house's price fundamentally is still low. Brown and Matysiak (2000) examined the effect of momentum in property index, which return from the previous years was 80 per cent, can explain today's profit. Thus, today's returns can be



predicted using previous data like Clayton's (1998) research. This matter proved that real estate market is efficient. On the other hand, Quigley (1999) said that economic fundamental is very important as determinant of house's prices, but model can only explain 10 – to 40 per cent the changes in property's price. The changes in house's price is very fluctuating, and that fluctuating is not explained fundamentally but decided by individual's behavior and financial institution. That is to say, future's price of a house cannot be predicted based on today's information. More to practical sides, real estate market has lack of liquidity higher than equity market and bond. Accumulation cost, processing information and real estate trading fees are higher than stock and bond trading fees. This condition illustrates weak form efficient in real estate market.

An individual's behavior in real estate market determined decision-making process which involves psychology factor and investment in micro level (decision-making process by individual and group) and macro level (financial market role). Investors' decision-making process combines quantitative aspect (purpose) and qualitative (subjective) which based on specific feature from investment product or financial service. Investors, based on cognitive factor (mental process) and affective (emotional) by individual (or group), make valuation and decision based on past events, personal belief and preferences. An individual experiences shifting in making decision from rational to psychological and social (Bargh, 2002; Farragher and Kleinman, 1996; Miles *et al.*, 1989), so it is needed to have further analyze on one's behavior which against rational approach.

Potentials in bias source decision-making rational choice are many factors such as individual factor, social or structural. First, individual has limited cognitive abilities to process information and making estimation, resulting in making heuristic decision to simplify complex environment (Corbin, 1980; Hogarth, 1981; Meyer and Eagle, 1982). Second, social source bias, like brokers or lenders, give undesirable or unintentional information for their own personal interest (Palm, 1982; Smith and Clark, 1980; Smith and Mertz, 1980), resulting rational decision become bias by decision environment (Kreibich and Petri, 1982). Third, structural source bias are deeply rooted in the norms of the society. Implication of social settings in society is not based on personal egoism but is in line with society's hope (Bassett and Short, 1980; Pipkin, 1981; Sheppard, 1980).

Wofford (1985) illustrates investors' cognitive process in making investment decision in real estate market. Perception and expectation are processed through several of "filters" (heuristic, characters, beliefs, and bias). Hereafter, investment's purpose and decision-making are influenced by those processes. It is much easier when investors understand the psychological process to lessen decision-making bias. Furthermore, Pyhr *et al.* (1989) showed real estate investors often failed to consider important factors in decision-making process. Difficulties and lack of information make investors concentrate on few main assumptions related to future condition, evaluate with rules of thumb and then make decisions. Most of the investors exaggerate about today's information, resulting in too optimistic with their decision, whereas information that are not favorite causes decisions that are made pessimistically. Investors have irrational and bias preferences because they cannot control risks and uncertainties. As a result, investors use intuitive ability in processing uncertainties so there is no rational decision-making.

Robbins (2001) stated that decisions happen because of reaction of problems, differences between today's statement and desired condition; therefore, it is needed to consider an alternative. However, decision-making process by an individual shows independent difference from cognitive ability (intelligence) with motivation difference or personality (Galotti *et al.*, 2006). Decision-making by an individual creates basic micro economic analysis which makes an individual to have various styles to make decision driven by



rationality (Edwards, 1967; Mellers *et al.*, 1998; Simon, 1992). Therefore, a good decision is determined not only by experience and decision makers' skill but also by adequacy and validity of the information such as data or knowledge that is gained from different environment (Ahmad *et al.*, 1999).

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#### *Dual process measurement*

Limited cognitive ability directs an individual to take decision in heuristic way as a shortcut (Shah and Oppenheimer, 2008) especially in complex and uncertainty environment (Ritter, 2003) by decreasing valuation complexity in predicting values of consideration in a simple way (Kahneman and Tversky, 1974). An individual performs heuristics due to limited time to search for information and effort to be issued; thus, a heuristic decision leads to a trade-off of loss of accuracy due to speed and austerity of cognition (Shah and Oppenheimer, 2008). In 1996, Epstein *et al.* (1996) developed cognitive experiential self-theory, a theory that measures one's preferences to two cognitive styles, to rational experiential inventory (REI). REI-40 is designed to assess preferences information processing. First is the rational style, measuring adaptation from scale need for cognition (Cacioppo and Petty, 1982), which emphasizes on consciousness and analytical approach. Second is the experience style that is measured with scale faith intuition which emphasizes on pre-conscious, affective and holistic approach.

First measurements of dual process in REI-40 were rational ability which is an individual's thinking ability using logic and analytic, and rational engagement which is the involvement of an individual in decision-making on pleasure of analytical thinking using logic. Second, experiential ability is the ability of an individual based on intuition and feelings, and experiential engagement is the involvement of an individual in decision-making based on feelings and intuition. Rational thinking is symbolized as slow, deliberative/consultative, following the rules, especially verbally and consciously. Whereas, intuition is symbolized as a pre-conscious, closely related to affective, fast, operating automatically and holistically. An individual's emotional response on an incident has chronological reaction; experience system, automatically and immediately, searches for a memory bank which connected to a related incident. Memories and feelings of the individual influence the process as well as the trends of further behavior. If positive feelings are recalled, individuals will automatically think and have a tendency to reproduce feelings. If an individual recalls negative feeling, he or she will automatically think and have the tendency to avoid feelings. Thus, experiential significantly related to interpersonal relationship that are positive, creative and emotional expression (Epstein, 1990, 2008; Evans, 2008; Hammond, 1996; Hogarth, 2005; Kahneman, 2003; Kahneman and Frederick, 2002; Sloman, 1996; Stanovich and West, 2000) (cited in Witteman *et al.*, 2009).

#### *Dual motives of housing wealth accumulation*

Real estate investment is a commitment of individual funds with the aim of maintaining and increasing capital and gain profit. The expected benefit of real estate investors is income consisting of active income (income from individual direct activities, e.g. salaries, bonuses, commissions) is called active investors; passive income (income from indirect activity by individual, e.g., rental income, dividend) is called passive investors; and portfolio income (interest income, stock dividend, capital gains, royalties) (Cortesi, 2013). Haight and Singer (2005) stated that investment on real state needs hard work because investors must have skills, knowledge, and power to find the right property, evaluate it, set the finance, manage the property or find the buyer. House investment is financial investment where an individual is motivated to own a house because the needs to have a shelter according to the individual's financial capability.

Shiller (2007) stated home buyers have different goals due to investment stimuli or consumption stimuli. Investors are property buyers who want a portfolio on some properties and do not have to stay on all those properties (Haughwout *et al.*, 2011). Whereas, consumption motive is a desire to own a house which will be used for one's own. One of the stimuli to do house-purchasing for consumption interest is social and emotional side of the house ownership. The value of large transactions but low frequency occurs on the purchase of houses, especially by household buyers. Home is considered as the greatest asset in most families, as well as a sense of security, independence and privacy (Rahman, 2010). The house is owned for a long time of at least 15 years even 50 years (Snively, 2009). Psychological factor in the buyer's self is the feelings of freedom to do activities according to the buyer's wishes such as decorating the house and interacting with the neighbors to build social communities in selected housing environments (Campbell and Cocco, 2005). Snively (2009) points out several reasons for house as consumption needs; first, the appreciation of house prices does not result in an increase in the wealth of homeowners, whereas the rise in house prices is an indicator of the owner's net wealth. If the increase is higher, it will allow a person to fund more consumption including using a loan to have a higher value asset. Second, the availability of credit funds or the use of equity funds to finance not only house purchases with consumption motives but also purchases for investment. Third, according to Campbell and Cocco (2005), buyers experience changes in consumption influenced by income, house prices, debt repayment ability, interest rates and inflation.

Investment or consumption decision involves a trade-off process when selecting a house location. Highly earned individuals or families choose desirable locations with better quality on public areas and facilities, whereas individuals or families with lower income choose less desirable locations. Individuals or families choose a house location based on the current level of wealth and "match" conditions as well as the stages in the family life cycle. Empirically, socioeconomic characteristics (household size, age of household members, education and income) also affect the preferences and choices of location in such individuals or families (Haavio and Kauppi, 2011). Table I shows families grouping according to marriage age which is also named as family life cycle stages.

No.	Family life cycle stage	Explanation	Age group (year old)	Marriage age (year old)
1	Honeymooners	Married couples, with children or not yet with children	14-20	0-5
2	Full Nest 1	Couples with the eldest aged less than 6 years old	21-30	6-10
3	Full Nest 2	Couples with the eldest aged 6 – 12 years old	31-40	11-15
4	Full Nest 3	Couples with the eldest aged 13- 20 years old	41-50	16-20
5	Empty Nest 1	Couples with at least one child is living with the parents	51-60	21-25
6	Empty Nest 2	Couples with all children no longer live with the parents	61-70	26-30
7	Dissolution	Couples who have been living alone, one spouse had died, and do not live with the child	71+	31+

**Table I.**  
Marriage age scheme  
of family life cycle  
stage

Source: Spanier *et al.* (1979)



McCarthy's (1976) study shows different house needs according to the family life cycle. Newly married young families or families who already have young children buy a house for shelter. While families who are married with children at school age, or growing up, even their children are married and do not live with the parents, have different house needs. Marriage and children are the main factors that encourage a person to make the first home purchase; people have the tendency to choose a residence that is not in the area with investment opportunities. Psychologically, home buyers intend to stay for a long time, have a feeling of freedom to do activities as they wish, to be able to socialize with neighbors to build a social community in a desired housing environment, younger families have a stronger relationship between house prices and consumption needs than older families. Younger families are bound to need a minimal house size because it is related to financial needs and loans that must be provided. Considered financial needs are utilities fee, maintenance fee, mortgage, insurance and property tax which have to be paid along the ownership (Campbell and Cocco, 2005).

Case *et al's* (2012) research showed buyers act irrationally when buying house with investment purpose. Media information influences decision-making. Investors find it easy to memorize newest information which resulting in making bias decision. Investors prefer known investment product by ignoring basic investment principles and diversification to reach optimization (Barberis, 2001). However, Henderson and Ioannides (1983) use portfolio choices model and prove owner-portfolio is inefficient because there is too much investment on houses. This result indicates that house owner is irrational in his or her financial decision. On the other hand, inefficient portfolio is the result of rationality from the balance of consumption benefit and distortion of house product investment portfolio (Brueckner, 1997). Consumption decision is based on the needs of information and rational thinking; it involves a group of activities which connected one another to choices of some available alternatives:

H1. When an individual buys a house with consumption motive, the decision model tends to be rational compared to an individual with investment motive.

House is needed by every individual or families as a residence. Marriage is one of the reasons for an individual to purchase a house for the first time. However, the condition of FHB with relatively low income and savings faces credit constraints when buying a house. FHB does a lot of consideration before deciding rationally, such as source of fund to pay the down payment, the amount of income that can cover monthly instalment, potential on changes in economic condition which affects on the amount of the loan interest rate and increased income. FHB's position that is limited financially push them to act unhurried (Goss, 2010; Monico, 2013). FHB make some alternatives for house choices which will be purchased suitable to their financial capability. FHB are willing to choose houses with so-so location for adjusting the fund they own (Fisher and Gervais, 2007; Kupke, 2008). The level of an individual's wealth which has been accumulated encourages the occurrence of portfolio motives, second or subsequent house investment as diversified investment products. The purpose of the investment is capital gain, rental income or retired wealth (Fisher and Gervais, 2007). In purchasing process, not FHB party does not involve in risk and return analyzing, prioritize experiences and has limited information and knowledge gained. Therefore, not FHB act with their own intuition. Decisions are made in heuristic way (Burns, 2009; Gigerenzer and Gaissmaier, 2011):

H2. An individual who buys a house for the first time with consumption motive, his or her decision model tend to be rational compare to an individual who buys a second house and subsequent with investment motive.

McCarthy's (1976) research describes the difference of housing needs based on families' life cycle. Newly married couples buy their first house for living. This also applies to families who have small, little children. Consumption motive in a younger family group is more dominant than investment motive. Level of education and high income allow a person to get a loan for purchasing houses. However, younger families with consumption motive have limitation on income and wealth, resulting in failure in credit application when purchasing a house. FHB condition in younger families, with its limitation, make consideration from various choices' alternatives rationally before making decision (Arrondel *et al.*, 2007; Goss, 2010; Monico, 2013). Whereas, married couple with school-age children, grown up, or even the children have already married and no longer living with the parents, have different housing needs (McCarthy's, 1976). Those kinds of families groups have investment motive more dominant than consumption motive; depends on the income and possessed wealth. Established families decide to buy their second house and the next house and subsequent as investment portfolio. Purchased house is expected to provide rental income or capital gain when it is resold. However, the effect of previous transaction experiences and information from brokers or developers leads older families to act using experience system, so that older families' decisions are inconsistent in the processing of risk and return information on purchased houses. Purchasing decision is made irrationally (Burns, 2009):

- H3. An individual who buys the first house with consumption motive on younger families, his or her decision model tend to be rational compare to an individual who buys second house and subsequent in older families with investment motive.

### Methodology

This study uses primary data by distributing questionnaires to buyers of houses or apartments who had made transactions in the past three years (2013-2016). Respondents are domiciled in Surabaya, but the location of the purchased property is located in all areas in Indonesia. Respondents search is done incidentally at the property broker's office, the developers' office and by the online way through Google forms, due to the unavailability of official data on the number of property purchased transactions during the study period. The period of spreading questionnaire was four months since May-September 2016 because in those months, developers often held exhibition of housing, open house and gathering event. The process of seeking respondents by visiting direct respondents such as door-to-door system is more effective than using the letter. Questionnaires can be collected from 254 respondents, then selected based on transaction time of three years and purchased transactions only at house or apartment. Further data that can be processed were 231 questionnaires.

The research questionnaire used REI 40 as a measure of buyer rationality. Before the item was distributed on the questionnaire, REI 40 was translated into *Bahasa Indonesia* by involving linguists and psychologists who gave inputs to the questionnaire so that it can be understood easily by the respondents. Then, the data are tested for its validity and reliability before analyzing data using ANOVA which contained in SPSS program. This research did not develop predictive model so it did not require econometric model. The use of ANOVA is more appropriate to confirm differences in between group decision models. Table II shows the operational definition of the research variables used in this study.

### Data and results

Table III shows data of descriptive respondents who have consumption and investment motive based on Time For Buyer (TFB), Family Life Cycle (FLC), dual process, age,



Variable	Keterangan	Dual process of dual motives
Dual motives	1 = Consumption; 0 = Investment	
Time for buyer	1 = First-home buyer; 0 = Not first-home buyer	
Family life cycle	1 = Younger family (less than 10 years marriage); 0 = Older family (more than 10 years marriage)	
Dual process	10-item rational ability and 10-item rational engagement (REI 40) 10-item experiential ability and 10-item experiential engagement (REI 40) 1 = very not true; 2 = not true; 3 = true enough; 4 = true; 5 = very true (inverse item no. 3, 4, 5, 6, 7, 8, 10, 11, 16, 18, 19, 21, 23, 24, 25, 27, 31, 32, 33,34, 39)	
Age	1 ≤ 20 years; 2 = 21-30 years; 3 = 31-40 years; 4 = 41-50 years; 5 = 51-60 years; 6 > 61 years	
Education	1= until Undergraduate; 2 = Postgraduate	
Income	1 ≤ Rp.3m; 2 = Rp.3-5m; 3 = Rp.5-10m; 4 = Rp.10-25m; 5 = Rp.25-50m; 6 > Rp.50m	
No. of family	Number of family	

**Table II.**  
Research variable

education, income and number of family. The majority of respondents are not FHB, dominated by younger families, married below 10 years, has a rational decision-making model. Buyers are dominated by 31-40 years old people, have bachelor degree, have an income of 10-25 million Rupiahs and most of them have the number of family members borne by three people.

Measuring the level of rationality of buyers of houses and apartments by using REI 40 which classifies the question items into two, namely, rational and experiential. Rational group is measured from two subs; rational ability – individual's thinking ability using logic and analytical, and rational engagement – individual's involvement in making decision on pleasure of analytical thinking using logic. Experiential group is measured from two subs; experiential ability which is individual's ability based on intuition and feeling, and experiential engagement which is individual's involvement in making decision based on his or her feeling and intuition. Both groups were searched for their average score on a continuum scale, then used in the ANOVA test. Scale 1 leads to the tendency of heuristic decision-making models and Scale 5 leads to the tendency of rational decision-making models. The test of decision-making model of dual motives is listed in Table IV. Testing of decision-making model of dual motives and Time for Buyer (TFB) is listed in Table V. Testing of decision-making model of dual motives and Family Life Cycle (FLC) is listed in Table VI.

Homogeneity test is performed before ANOVA test on variable of dual motives. Levene statistical motive of ownership ( $L = 2.685$ ,  $p$ -value = 0.103) shows that the data have the same variance (homogeneous). The result of F test on the motive of ownership ( $F = 3.408$ ;  $p$ -value = 0.066) showed that there are statistically significant differences in decision-making model on consumption motive ( $M = 2.7190$ ) and investment motive ( $M = 2.6041$ ). Therefore, an individual with consumption motive has a decision model that tends to be rational compared to an individual with investment motive.

Table V shows homogeneity tests on interaction groups of dual motives and TFB ( $L = 1.035$ ,  $p = 0.378$ ) shows data have the same variance. F test results in the dual motives and TFB interaction group ( $F = 1.238$ ;  $p = 0.297$ ) showed no statistically significant differences in the decision model. Post hoc intergroup tests did not show significant differences in decision-making model. Therefore, the decision model of the individual who buys the first

IJHMA	Consumption	Investment
<i>Time for buyer</i>		
First-home buyer	42	13
Not first-home buyer	88	88
<i>Family life cycle</i>		
Younger family	97	51
Older family	33	50
<i>Dual process</i>		
Rational	120	86
Heuristic	10	15
<i>Age</i>		
≤20 years	2	2
21-30 years	53	19
31-40 years	45	31
41-50 years	20	32
51-60 years	10	18
>61 years	0	1
<i>Education</i>		
Until undergraduate	112	80
Postgraduate	18	21
<i>Income</i>		
<Rp.3m	6	3
Rp.3-5m	30	9
Rp.5-10m	29	15
Rp.10-25m	34	29
Rp.25-50m	17	26
>Rp.50m	14	19
<i>No. of family</i>		
1	27	9
2	33	17
3	29	36
4	24	23
5	13	9
6	5	6

**Table III.**  
Respondents'  
demographic data

house with consumption motive has no difference than the individual who buys the second house and then with investment motive.

Table VI shows homogeneity test in dual motive interaction group, TFB and FLC ( $L = 4.331, p = 0.001$ ) show data having unequal variance, therefore, different test using Welch test. The Welch test's result in the dual motives interaction group, TFB and FLC ( $W = 3,839; p = 0.004$ ) show significant differences in the decision model. Post hoc intergroup test of FHB with consumption motive in younger families (Group 1) was significantly different ( $p = 0.047$ ) statistically under 5 per cent against second and subsequent home buyers who had an investment motive in older families (Group 6) and not FHB group who has consumption motive in younger families (Group 2) is significantly different ( $p = 0.003$ ) statistically below five per cent against second and subsequent home buyers who have an investment motive in older families (Group 6) in the retrieval model buying decision. Different test results were also found in not FHB



group that had an investment motive in younger families (Group 5) against the not FHB group with an investment motive in older families (Group 6) ( $p = 0.025$ ) in the decision-making model. Thus, FHB with consumption motives in younger families tend to have rational decision model than FHB in older families with investment motives.

Dual process  
of dual  
motives

## Discussion

### *Dual motives vs decision model*

Every individual believes his or her thoughts are truly rational; however, bias occurred while processing in rational system because rational system does not provide creative ideas to be created as information resource. When a person reacts to an incident emotionally, the order of reaction will automatically directed to experience system and instantly looking for a memory bank that related to related incident. An individual's memories and feelings influence the process and the tendency of further behavior; therefore, the experience system has a positive or negative effect on the rational system. That process is proven to occur also in individuals who buy a house. This study proves that buyers who are driven by a factor of necessity; rather than renting a house or living in a relative's/parents' house, will make a purchase on a house. Buyers choose a house with many considerations to be a residence that provides comfort like [Koklic and Vida's \(2009\)](#) research.

Variable	Sum of squares	df	Mean square	Hypothesis	<i>F</i>	Sig.
<i>Panel A: Table ANOVA</i>						
<i>Dual Motives</i>						
Between groups	0.751	1	0.751	<i>H1</i>	3.408	0.066
Within groups	50.458	229	0.220			
Total	51.209	230				
<i>Panel B: Mean Decision model</i>						
Variable	Categories	Mean	<i>SD</i>	<i>N</i>		
Dual motives	Consumption	2.7190	0.44616	130		
	Investment	2.6041	0.49779	101		

**Table IV.**  
ANOVA findings for dependent variable in decision-making model for *dual motives*, TFB and FLC

Variable	Sum of squares	df	Mean square	Hypothesis	<i>F</i>	Sig.
<i>Panel A: Table ANOVA</i>						
Between groups	0.824	3	0.275	<i>H2</i>	1.238	0.297
Within groups	50.385	227	0.222			
Total	51.209	230				
<i>Panel B: Mean Decision-making model</i>						
Group	Mean	<i>SD</i>	<i>N</i>			
Consumption, FHB	2.7519	0.41812	42			
Consumption, <i>Not FHB</i>	2.7033	0.46043	88			
Investment, FHB	2.5838	0.55295	13			
Investment, <i>Not FHB</i>	2.6070	0.49252	88			
Total	2.6687	0.47186	231			

**Table V.**  
ANOVA findings for dependent variables in decision-making models on variable interaction of dual motives and TFB

IJHMA

	Sum of squares	df	Mean square	Hypothesis	F	Sig.
<i>Panel A: Table ANOVA</i>						
Between groups	4.438	5	0.888	<i>H3</i>	4.270	0.001
Within groups	46.771	225	0.208			
Total	51.209	230				

**Table VI.**

ANOVA findings for dependent variables decision-making models in variable interaction of dual motives, TFB and FLC

*Panel B: Mean*

Decision-making model	Group	Mean	SD	N
	Group 1 (C, FHB, YF)	2.7519	0.41812	42
	Group 2 (C, NFHB, YF)	2.7920	0.34744	60
	Group 3 (C, NFHB, OF)	2.5132	0.60363	28
	Group 4 (I, FHB, YF)	2.5627	0.58476	11
	Group 5 (I, NFHB, YF)	2.7805	0.42735	40
	Group 6 (I, NFHB, OF)	2.4720	0.49695	50
	Total	2.6687	0.47186	231

Those many considerations are processed in a longer time by collecting much information from parents or relatives, friends or newspaper, brochure or internet. Buyers' experience in searching process for a desired house in a time will affect their experience in another time. Buyers will consider their financial ability such as availability and capability in terms of paying. Numbers of consideration will make buyers tend to use rational system in making decision. Also, buyers with experience in doing property transactions more than once in limited time tend to decide rationally (Frederick and Loewenstein, 1999; Read, 2004).

From investors' point of view, purchasing a house or apartment is portfolio allocation. Investors aim to earn additional income from the lease, to earn profits when the house is later sold (capital gain) and to prefer the property as investment products than other products. The time required to make decision is shorter for investors; through property brokers, home exhibitions and product launching. This media creates the interaction of investors and developers or intermediaries, so that the position of investors will be influenced and encouraged to make decisions as soon as possible with "lure" of profits that can be obtained immediately. The influence of spouse, children and friends, even oneself really affects in making decision if it is dominated by emotional factor. As a result, the condition encourages investors to use the experience or intuition system in purchasing houses because problem-solving is made quickly and tends to ignore information, especially in situations with high complexity level, uncertainty and time-pressure (Gigerenzer and Gaissmaier, 2011; Tversky and Kahneman, 1973; Kahneman and Tversky, 1974).

#### *Time for buyer vs decision model*

Newly married FHB or married but not yet have children have preferences that are inclined to the motive of consumption, which is the desire to have a house as a place to build a new family and to live comfortably. FHB have a dream to build households independently without being dependent on parents, so FHB seeks information and takes into considerations the house to be purchased for the first time. Decisions are adjusted to the condition of the limited funds they have. Therefore, when FHB makes a purchase, they need more time to think and make comparisons on existing options before they finally decide. Whereas, not FHB are more dominated by investment motives, although second and



subsequent home purchases are not always categorized as investment, if it is used as a family asset (Wiens, 2013, June). Financial capability and the high amount of wealth motivate an individual to invest. Repetitive house-purchasing directs not FHB to use experience system compare to their rationality in making decision. However, dual process on TFB cannot be distinguished significantly. Information processing process on FHB and not FHB using rational system and experience system at the same time simultaneously interact (Foxall and Goldsmith, 1994; Campbell and Cocco, 2005; Scanlon and Whitehead, 2010; Epstein *et al.*, 1996).

#### *Family life cycle vs decision model*

Group 1, FHB with consumption motive in families of under 10 years old age (younger families) and not FHB in younger families with consumption motive (Group 2) tend to be rational in making purchasing decision compared to not FHB with investment motive in older families (Group 6). Married families with additional family members are encouraged to purchase a house with considerations; to have one instead of to rent one, are no longer have reasons to stay with parents or insufficient house capacity. Therefore, the purchased house is used as a place to live and live comfortably with the nuclear family. However, in certain cases, parents live together in the house, so the environment around the purchased house is adjusted to the buyers' – and maybe the parents of the buyers – wish.

Purchases that occur by young families aged around 20 years old are affected by their financial condition, which sometimes involve financial support from parents or relatives. The process of product selection and family deliberation takes a considerable time before it is decided. As a result, younger families tend to be rational in making decision. On the other hand, if the financial condition is better, then the family will be at ease to make faster purchasing decisions. Not FHB in younger families with sufficient funds tend to have an investment motive in the property than other investment products (stocks, bonds). They will consider the risks and returns of the houses or apartments they bought carefully because they understand that their experience is still limited, such as planning the cost of moving to a popular area with reputation considerations. While married families of more than 10 years with good financial condition have the ability to accumulate wealth from income earned, the investment motivation is more dominant than the consumption motive. House investment is considered to have prospects in the future if it is located in popular location. Another benefit of house investment is obtaining rent income or higher capital gain due to the popular location (Hutchison, 1994; Seelig *et al.*, 2009; Tan, 2009). Increased knowledge and investment experience allow older families to make better investment decisions by studying risks more accurately and understanding risks and returns relationship in the real estate market that are deemed to be more stable than the stock market better (Fishbein and Ajzen, 1975; Foxall and Goldsmith, 1994). However, the emotional factors that bind older families related to the location and environmental conditions around them; social conditions and personal relationships with neighbors, will lead the older families to act irrational to fulfill their desires. The tendency to live in the environment, the communities they recognize and the proximity of children and grandchildren encourage older families to use intuition in making decisions.

#### **Conclusion**

Buyers with consumption motives are more likely to be rational in deciding house purchases than buyers with investment motives, as well as interactions with family stages. Younger individuals or families tend to be more rational in decision-making than individuals or older families who tend to decide heuristics. However, there is no

difference at Time for Buyer. Purchasing a house is an important decision in one's life so that decisions are tend to involve parents or relative. The habit of living in a large family structure along with several levels of family structure makes oneself tends to make decisions by involving a deliberative process. However, in families with excellent financial capabilities and no complex family structure, decisions can be personally defined. Research on the behavior of buyers or property investors need to be developed to make the real estate market more efficient. The behavior of buyers or investors who tend to be heuristic needs to be understood further so that government and developers can prevent the happening of bubble market. The risk of loss in dual process of purchasing decision can be suppressed by the developers, the government, as well as the buyers themselves, especially in the availability of fund purchases. Government's control on financing in the property sector plays an important role so that developers, buyers and investors who use loans take rational rather than emotional considerations. The developer can also determine the strategy of selling residential and apartments according to individual needs at the stage of his or her life cycle.

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