

Predicting Prospects For Property Management Services – An Indian Perspective

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Abstract: *The real estate investment world can be incredibly attractive. One of the most important issues in the context of urban housing concerns is the knowledge, experience and time to properly manage their residential properties. The property management company helps in creating a management plan that aligns with house owner's goals. The objective of this study is to analyze the willingness of the residential property owners to adopt property management services and to predict the target market by providing some insights into the factors influencing them in accepting their services. It is a descriptive research and the population used for this study is the residential property owners in Chennai and Bangalore. The sample of 160 residential property owners is selected through convenience sampling. The statistical tools used to study the sample were Decision tree model, Logistic Regression and Weighted Average Mean. The results show that the potential targets are in the age group of 40 to 50 and with higher income level. It also shows that assistance in fixing the rental price and identifying the prospective tenants are the top reasons ranked by the property owners who look for property management services. The findings of the study help to properly target the people who are likely to adopt property management services*

Key Words: *Owners Perspective, Property management service, Property owners, Prospects, Tenants*

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I. INTRODUCTION

India, like most developing countries, is witnessing an accelerated growth of urbanization and housing needs. According to 2011 census data, half of the population in India is in the age group of 20-59. Hence, real estate and property management services have a huge opportunity for tapping this segment.

India's real estate market is expected to reach US\$ 180 billion by 2020 from US\$ 93.8 billion in 2014. The housing sector alone contributes 5-6 per cent to the country's Gross Domestic Product (GDP). Emergence of nuclear families; rapid urbanization and rising household income are likely to remain the key drivers for growth in all spheres of real estate, including residential, commercial and retail. In the period FY2008-2020, the market size of this sector is expected to increase at a Compound Annual Growth Rate (CAGR) of 11.2 per cent. Retail, hospitality and commercial real estate are also growing significantly, providing the much-needed infrastructure for India's growing needs. The private equity investments in real estate increased 26 per cent to a nine-year high of nearly Rs 40,000 crore (US\$ 6.01 billion) in 2016.

The Property Management industry offers third-party or outsourced services to handle the upkeep, maintenance and tenant relations for property owners or landlords in a professional manner. Property management is the control and operation of real estate, personal property, equipment, or physical assets and typically involved in managing the property that is owned by another party or entity. It is most often referred to in relation to the lease or rental of the property, in which a property manager handles the maintenance and day-to-day activities surrounding the property. The property manager acts on behalf of the owner to preserve the value of the property while generating income.

Companies in this industry manage residential, commercial and industrial real estate including apartments, detached houses, condominium units and shopping center for property owners. Property management responsibilities relate to the overall operation of a property, including maintenance, rent collection, trash removal, security and some renovation activities.

Objectives:

- To map the renting-out process by owners of residential properties and test the acceptability of Property Management Services among them.
- To analyze the key services that owners are looking forward from Property Management Services Companies.

II. LITERATURE REVIEW

Irena VidaVinit Kumar(2009),” A Strategic Household Purchase: Consumer House Buying Behavior”, Vol. 7, Issue 1. In this paper, consumer house-buying behavior was examined from the consumers’ perspective. The purpose of this research was to propose a conceptual model of consumer decision making within the frame of consumer behavior; to gain knowledge of factors impacting this process from the empirical standpoint with the focus on prefabricated house purchases and to offer implications for beneficial purchases of prefabricated houses. The results of our in-depth interviews with recent owners and potential buyers of a custom-made prefabricated house suggest that cognitive and rational factors do not offer sufficient explanation of consumer behavior in the case of a high-involvement product such as a house. In addition to the idiosyncratic characteristics of the customer, his/her personal situation and environmental factors, the role of feelings, experience, subconscious factors, needs and goals should to be taken into account to better understand this kind of decision making.

Sarah Hills(2012),” Private home, public cultural asset: the maintenance behavior of listed building owner-occupiers” Journal of Housing and the Built Environment, Vol. 21, Issue 2. In this paper, the maintenance behavior of listed building owner-occupiers was examined. In particular it evaluates the degree to which owners are aware of and undertake maintenance of their building from a conservation perspective, which emphasizes maximizing the retention of historic fabric and encourages preventive maintenance as the least destructive of all conservation interventions. The research suggests that the primary motivation for owners to carry out maintenance is that the building is their home: to avoid the discomfort and financial cost of disrepair, and to gain the personal satisfaction of keeping their home in a good order. Whilst owners were keenly aware of their statutory duty in relation to their building, they do not think about and prioritize maintenance from a cultural perspective. The article concludes that encouraging owners to undertake maintenance from a conservation perspective will require both mechanisms for awareness raising and providing fiscal incentives and practical support. Crucially, there is a need for the development of a framework for policy which addresses the inherent tensions in a system which imparts on listed building owners a responsibility to protect something that is of value to society as a whole.

N.D Ehiemere (2016),” Customer Satisfaction amongst Users of Estate Surveying and Valuation Professional Services: Does Firm Size Matter?” ATBU Journal of Environmental Technology, Vol. 9, Issue 2. Customer satisfaction and service quality are crucial factors in real estate professional service delivery. Firm size, amongst other factors, influences firms service quality and hence its customer’s satisfaction levels. In this paper, the influence of firm size on customer satisfaction levels of users of professional services provided by Estate Surveying and Valuation firms in the areas of property valuation and property management was investigated. Forty study participants comprising 20 respondents in each professional service area were drawn from users of property valuation and management services. Findings revealed that mean satisfaction scores were higher for valuation services than for property management. Although firm size had no influence on respondent’s satisfaction with valuation services, it had a significant influence on customer satisfaction with property management services evidenced by higher customer satisfaction levels from customers of smaller firms. Consequently, the creation of customer feedback systems within firms, especially the larger ones, and timely response to issues raised through such systems is recommended as an imperative for improved customer-oriented property management service delivery

III. RESEARCH METHODOLOGY

For assessing the property management preferences of owners of residential property, a survey was conducted. The respondents were asked about their preferences of various property management services and their likelihood of opting for such a service. Convenience sampling was employed to select the respondents. In order to ensure the reliability of the data, the respondents chosen are the owners of residential property. The data were analysed using the descriptive analysis and predicting modeling techniques with the help of the R Studio software

IV. RESULTS AND FINDINGS

4.1 LOGISTIC REGRESSION FOR PREDICTION

Logistic Regression (Binomial) is performed using Generalized Linear Model algorithm and the sub factors that contributes much to the dependent variable (Acceptance of Services) are identified in this technique. The output is depicted in the below figure which gives the top sub factors that influences the owner in showing interest towards Property Management Services in a detailed manner.

From the output in Table 1, the results show the demographic variables of respondents and their estimates. From the estimates, it is possible to compute the probability of a person accepting the property management services.

For each variable, the probability of acceptance of the service is calculated from the estimates and is discussed below:

From Table 2, the estimate for the variable Age group 20-30 is -3.5894. This implies that if the owner belong to the Age group 20-30, he is unlikely to accept the service and people falling in the age group of 40-50 are more likely to avail the service. From Table 3, those who seek help from others for maintenance purpose of their residential property have 96% chance of accepting the service and those who do not seek help from anyone are unlikely to opt for the service. From Table 4, if the annual income is greater than Rs.5 Lakhs, the probability of acceptance of service is 0.67 and when the annual family income is less than Rs3 Lakhs, the probability of acceptance is only 0.13. From Table 5, those who are retired are the prospective customers of property management services and those who belong to salaried class are less likely to opt for the service. From Table 6, if the owner is more concerned about the tenant background screening, then there is 82% chance of availing the service

Table 1: Output of the logistic regression model

Coefficients:	Estimate
(Intercept)	-5.7972
f1\$ProxyFamily member	2.3876
f1\$ProxyFriend	2.2785
f1\$ProxyNeighbor	2.3358
f1\$ProxyNot applicable	2.09074
f1\$ProxyOther	5.298
f1\$age_group20 - 30	-3.5894
f1\$age_group30 - 40	0.9604
f1\$age_group40 - 50	2.6024
f1\$help_soughtFriends	0.8288
f1\$help_soughtOthers	3.1115
f1\$help_soughtRelatives	0.5124
f1\$help_soughtSelf	-3.4847
f1\$tenant_credibility_perceptionYes	1.5328
f1\$Annual_family_incomeBelow Rs.3 lacs	-1.8294
f1\$Annual_family_incomeBetween Rs.3 lacs and Rs.5 lacs	-1.4212
f1\$Annual_family_incomeBetween Rs.5 lacs and Rs.10 lacs	0.7197
f1\$Edu_QualPost Graduation	3.591831
f1\$Edu_QualUnder Graduate	4.24688
f1\$occupationHouse wife	0.8236
f1\$occupationRetired	3.1145
f1\$occupationsalaried employee	-1.3975
f1\$occupationSelf-employed professional (doctor, lawyer etc)	1.1145
f1\$Pros_tenant1-3 tenants	2.6124
f1\$Pros_tenant3 - 5 tenants	1.2078
f1\$Pros_tenant5 - 10 tenants	2.0676

Table 2: Table showing the probability of acceptance of service for Age_Group.

Factor	Estimate	Probability of acceptance
Agegroup 20-30	-3.5894	0.026872805
Agegroup 30-40	0.9604	0.723201885
Agegroup 40-50	2.6024	0.93101588

Table 3: Table showing the probability of acceptance of service for the variable Help_Sought.

Factor	Estimate	Probability of acceptance
HelpsoughtFriends	0.8288	0.696101136
HelpsoughtOthers	3.1115	0.957364624
HelpsoughtRelatives	0.5124	0.625368922
HelpsoughtSelf	-3.4847	0.029750711

Table 4: Table showing the probability of acceptance of service for Annual_FamilyIncome.

Factor	Estimate	Probability of acceptance
belowRs.3 Lacs	-1.8294	0.138309766
betwnRs.3 Lacs&Rs.5Lacs	-1.4212	0.19447353
betwnRs.5Lacs&Rs.10Lacs	0.7197	0.672540952

Table 5: Table showing the probability of acceptance of service for Occupation.

Factor	Estimate	Probability of acceptance
OccupationHousewife	0.8236	0.694999985
OccupationRetired	3.1145	0.957486909
OccupationSalaried	-1.3975	0.198213123
OccupationSelf-emp	1.1145	0.752967098

Table 6: Table showing the probability of acceptance of service for the variable Tenant_Credibility_Perception.

Factor	Estimate	Probability of acceptance
TenantCredibilityperceptionYes	1.5328	0.822415618

4.2 DECISION TREE MODEL FOR SEGMENTATION

Decision tree is performed using ctree algorithm and relationship between dependent (Acceptance of Services) and independent variables was represented in a form of tree.

The output is depicted in the below figure which gives the Prediction of the likelihood of acceptance of service by the customers using decision tree model.

Fig.1: Decision tree

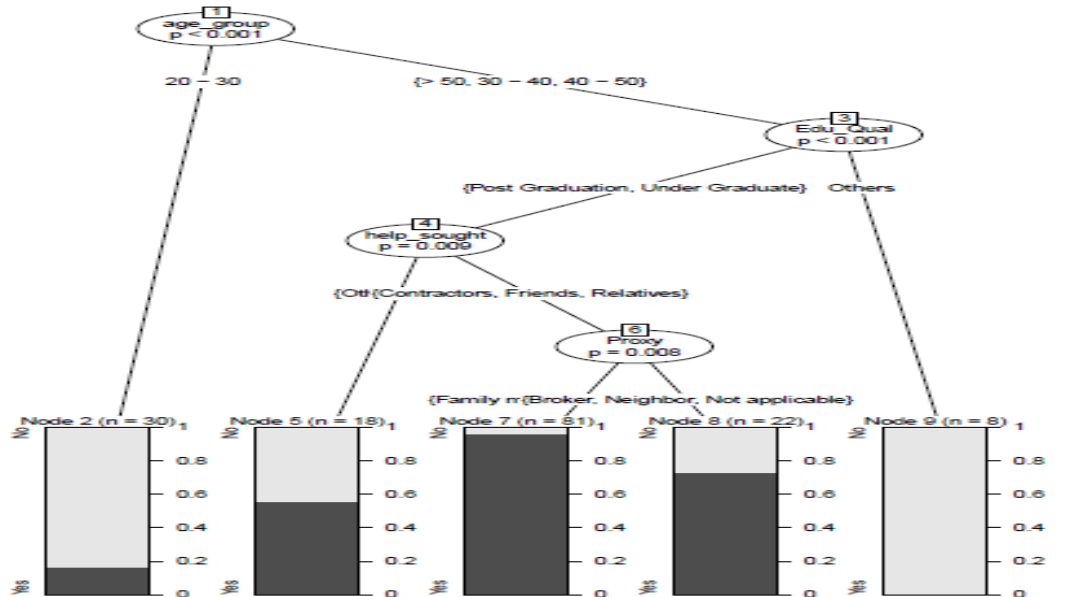


Table: 7 Table showing Probability of Factors affecting the Dependent Variable from decision tree

Factors	Acceptance of service
Age group 20 – 30	18%
Edu_qual_others & age>30	0
Age>30 ,Edu_qual_UG_PG&helpsought_others	56%
Age>30,Edu_qual_UG_PG,Helpsought_contr_rel_frnd.proxy_family	98%
Age>30,Edu_qual_UG_PG,Helpsought_contr_rel_frd.proxy_others	70%

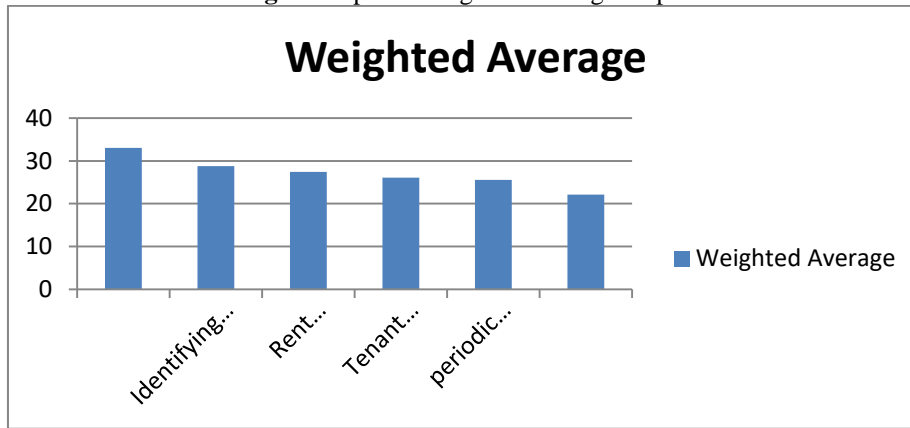
4.3 WEIGHTED AVERAGE TECHNIQUE FOR RANKING THE KEY PROPERTY MANAGEMENT SERVICES

Key services that customers are looking for from Property Management Services are analyzed in Excel using Weighted Average Mean Method.

List of Services provided by the Property Management Services companies are as shown below:

1. Assistance in fixing the rental price according to the location, amenities available etc.
2. Identifying the prospective tenants when the property becomes vacant.
3. Finalizing the tenant on your behalf with your consultation.
4. Getting the agreement signed and collecting rent on your behalf
5. Periodic inspection of premises to ensure proper upkeep
6. Taking care of routine maintenance tasks related to plumbing, electrical, carpentry etc at the request of the tenant.

Fig.2: Graph of Weighted Average output



The Key services that are ranked using the Weighted Average Mean method in Microsoft Excel as follows:

- 1 - Taking care of routine maintenance tasks related to plumbing, electrical, carpentry etc at the request of the tenant.
- 2 - Identifying the prospective tenants when the property becomes vacant.
- 3 - Getting the agreement signed and collecting rent on your behalf.
- 4 - Finalizing the tenant on your behalf with your consultation.
- 5 - Periodic inspection of premises to ensure proper upkeep.
- 6 - Assistance in fixing the rental price according to the location, amenities available etc.

Table 8: Summary of Findings

DE MEAN DECISION TREE MODEL	LOGISTIC REGRESSION MODEL	WEIGHTED AVERAGE MEAN
Relationship between dependent and independent variable was represented in a form of tree.	The sub factors of the key factors associated with the dependent variable were identified	To determine the key services preferred by owners.
The potential target audience belong to the below categories: 1. Age > 30 & degree holders & depending others for maintenance purpose. 2. Age >30 & degree holders & depending others for maintenance purpose & seeking help from family for showing the premises to the tenants. 3.Age > 30 & degree holders & seeking help from contractors, friends & relatives for maintenance purpose & seeking help from brokers, neighbors for showing the premises to the tenants .	The following are the factors 1. Age group 40-50 2. Annual income between 5L -10L 3. Help sought from others for maintenance 4. Occupation-Retired 5.No.of Prospective tenants-1 to 3	The key services are ranked as follows: 1 - Taking care of routine maintenance tasks. 2 - Identifying the prospective tenants when the property becomes vacant. 3 - Getting the agreement signed and collecting rent on your behalf. 4 - Finalizing the tenant on your behalf with your consultation. 5- Periodic inspection of premises to ensure proper upkeep. 6 - Assistance in fixing the rental price.

V. CONCLUSION

The study seeks to investigate the factors that influence a residential property owner to opt for property management services. It is found that 98% of the owners who belong to the age category of above 30 with educational qualification students and owners who are dependent others for managing their property like maintenance, showing premises to the prospects are more likely to show interest towards property management services.

Common conclusions were drawn from the different techniques for identifying the targets. The potential target audience fall under the age category of 40 – 50 years and least desired of such services fall under the age group of 20 – 30 years. Around 88% of the owners who belong to the age category 20 – 30 do not show interest towards property management services. The owners who are dependent on others for managing their property like maintenance, inspecting the property, showing premises to the prospects are more likely to show interest towards property management services and they form a dominant target for the Property Management Companies. The key services that owners are looking for from Property Management Services Companies were analyzed and much importance must be given to those services and must be delivered in such a way that it enhances the value to the customers. Further research on the factors affecting acceptance of property management services by various actors related to residential property is desirable because it is possible that different actors may have different perceptions on the criteria for such services. Such studies will complement the present findings on the decision criteria for availing the property management services.

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