

## Customer Satisfaction of Real Estate Buyers of Dhaka City: A Survey on Customer Perception and Expectation

Mostafa Kamal<sup>1</sup>, Shakil Ahmed<sup>2</sup>, and Md. Milan Khan<sup>3</sup>

<sup>1</sup> Dr. Mostafa Kamal, Advisor, Department of Real Estate; Director (R&D), Daffodil International University

<sup>2</sup> Graduate Student, Department of Real Estate, Daffodil International University

<sup>3</sup> Md. Milan Khan, Ph.D. (Fellow), Librarian, Daffodil International University

**Abstract:** Bangladesh is an overpopulated country and the capital city Dhaka is among the most densely populated cities of the world. As the number of inhabitants living in this city is increasing due to the continuous insurgence of people looking for a living, it is difficult to solve the housing problem. The real estate companies are trying to provide housing for these people, but at the recent times they have failed to meet customers' expectation. As a result, customers are now more interested to rent a house rather than to buy one. This article shows the perception and expectation of real estate buyers of Dhaka city in different dimensions Preferences between ready plot and apartment, apartment price, types & size of apartment, favorable locations, favorable facilities, and desired services from a company. The general pattern of real estate sector along with current and future demand is also portrayed from the point of view of different related articles. Some suggestions are made for marketers for making the new apartment structure, pricing policy, distribution method, assessment of customer's needs and demands.

**Key word:** Real Estate, Survey, Dhaka city, Customer perception and expectation.

### 1. Introduction:

Customer satisfaction, a term frequently used in marketing, is a measure of how products and services supplied by a company meet or surpass customer expectation. In other words, customer satisfaction mentions to the level to which customers are happy with the products and services provided by a business. For successful business customer satisfaction is mandatory (Gitman et al,2005). In the real estate market of Dhaka city the customer satisfaction is not focused properly as the demand of real estate product is high in the most populated and capital city (Karim et al, 2010).

Bangladesh is one of the most densely populated countries of the world. With 147,570 sq. km. (56,977 sq. mi.) area the number of the current population of this country is 158.5 million (2014). The present population density of the country is 1074.3 people per sq. km. (Statistical Yearbook for Asia and the Pacific, 2014). The scenario of urban area like Dhaka city is more perilous. The current population of Dhaka city is 15.391 million with an area of 360 sq. km. (139 sq. mi.). Estimated density is 43,500 people per sq. km. (112,700 people per sq. mi.) (Demographia World Urban Areas, 2015). Due to various factors, including the absence of an urban policy or a human settlement policy, the population of Dhaka city is increasing with a frightening rate.

Food, Clothing, Residence, Health Care and Education are considered the prime needs to survive on this planet. As an overpopulated country in Bangladesh housing does not get the priority compared to the other fundamental needs.

Moreover, real estate business in Bangladesh is a recent phenomenon and mainly concentrated in the Dhaka city. But housing, being one of the basic of life, is difficult to supply in comparison to the huge demand in a fast growing city (Seraj, 2012).

According to the REHAB (Real Estate and Housing Association of Bangladesh) there are more than 1500 real estate and Development Company based in the CBD (central business district) Dhaka city. All of the company doing their activities, but there is not active care about the customers. They are charging a huge level of price for earning more profit as the demand of the housing is high. Many of them are also using low quality raw materials and doing many unethical activities for gaining more profit. As the high price of housing most of the customers need financial help from a bank or any financial institution, the customers prefer renting housing rather than buying an apartment.

On the other hand, housing affordability is being eroded by poor land administration policies, which have resulted in very high land prices that make urban housing prohibitive for lower-income groups; and in infrastructure that is inadequate for expansion into urban and rural areas. There is no active secondary market for real estate, mainly because of the high transfer taxes and an uninterrupted long-term increase in land prices (World Bank, 2010).

However, these are all the present scenario of real estate sector of Bangladesh and any further discussion on the overall real estate industry is beyond the scope of this article. This article only

focuses on the perception and expectation of real estate buyer of Dhaka city.

The subject this article deals with could not draw much of the attention of the researchers working on real estate industry. In this article the authors tried to explore the facts such as- what customers are looking for, why they are choosing a particular apartment or particular company and for what reasons.

## 2. Objectives of the study:

The general objective of this study is to improve an understanding of the overall condition of the real estate market of Dhaka City with certain stress to a customer's perception and expectation side. Simultaneously, the study focuses on the impact of price and place, the significance of building types, the current and future trends of real estate sector of Dhaka city.

## 3. Significances of the study:

This article has been prepared for research work and it can be applied in the various sectors related to real estate. Real estate companies can realize the business lacks of the present situation, they can understand the customer perception and expectation. Policymakers can take initiative to preserve the perception and expectation of real estate buyers.

## 4. Literature Review:

Providing shelter to all the people is one of the fundamental responsibilities of the state (Karim et al, 2010). The UN Declaration on Fundamental Rights also reveals that every person has a right to an adequate standard of living, which includes housing. Statistics show that Bangladesh will need to construct approximately 4 million new houses annually to meet the future demand of housing in the next twenty years. Estimates for annual requirements for housing in urban areas vary from 0.3 to 0.55 million units (Karim et al, 2010). According to world bank report, a shortage of about 5 million houses in Bangladesh, with as many as 500,000 houses added annually in urban areas and 3.5 million added in rural regions. (WBD, 2010).

With 158.5 million people, Bangladesh is one of the most densely populated countries in the world. Land prices are high and permanent housing is rare. Though the population growth rate in Bangladesh has plateaued at 1.2 percent, an increasing expanse of living space at this rate will also be necessary to accommodate the "demographic momentum (Bangladesh Economic Review, 2014). This scenario is more extreme in the Dhaka city, the capital of Bangladesh

.During the period from 1981 to 2000, the greater Dhaka population grew at an average rate of 5.5% from about 3.44 million to 10.0 million and 2001 to 2014 at an average rate of 7.1% from 10.0 million to 15.39 Million. During the two periods the built

up area increased from 104 sq. km to 360 sq km. It is expected that Dhaka will become one of the ten largest cities of the world by the year 2020 with a population as high as 20 million (Demographia World Urban Areas, 2015). Although the housing sector of Bangladesh growing with a very rapid trend, but it is not enough to solve this acute problem.

Experts opine that, Bangladesh will encounter high levels of urbanization by 2020 and by that time Dhaka will need to house about two crores people to become the fifth largest city in the world. So mitigation of this huge demand requires a long-term plan to be formulated so that a collective effort from both the private sector developers and individual developers may adequately provide for the huge demand (Strengthening the Role of Private Sector Housing in Bangladesh Economy: The Policy Challenges, 2003). To make provision of accommodation and comfortable living of this large population transformational development of Gazipur, Kaliakoir, Savar, Tongi, Narayanganj, Keraniganj and Purbachal will be required (Strengthening the Role of Private Sector Housing in Bangladesh Economy: The Policy Challenges, 2003).

The average price of a flat/apartment has witnessed its biggest jump in the decade 2000-2010, especially rising at an exponential rate from year 2006. According to one of the REHAB's President, the apartment prices in some of the major posh of Dhaka city such as Gulshan, Baridhara, Banani and Dhanmondi have shot up to the range of Tk 12, 000 to Tk 20,000 per square feet, which equal the per square feet prices in Mumbai which is considered as one of the expensive cities in the world in terms of housing costs (Das, 2014).

In Dhaka city the people from all socioeconomic backgrounds are facing housing problem of one type or another. The low-income families are in need of low cost flats or plots and the middle and upper income families are complaining that the cost of a decent plot or a decent flat is going beyond their means. The solution to the problems of these different groups is also different and mainly lies in the hand of the policy makers and the government (Rahman, 2001).

## 5. Methodology:

This article has been prepared based on information from the real estate customers of Dhaka city. This paper is exploratory in nature and is prepared using primary and secondary data. Primary data are collected based on a questionnaire and convenience sampling method was followed for selecting 100 quality respondents in Dhaka city. All respondents are current and potential customer of real estate of Dhaka city and came from different professions. Secondary data are collected from different journals, articles, and the internet. The

questionnaire of this study is arranged according to the basic perception or demand of real estate customer. A sample questionnaire has been given in the appendix.

### 6. Background of Real Estate Sector of Dhaka City:

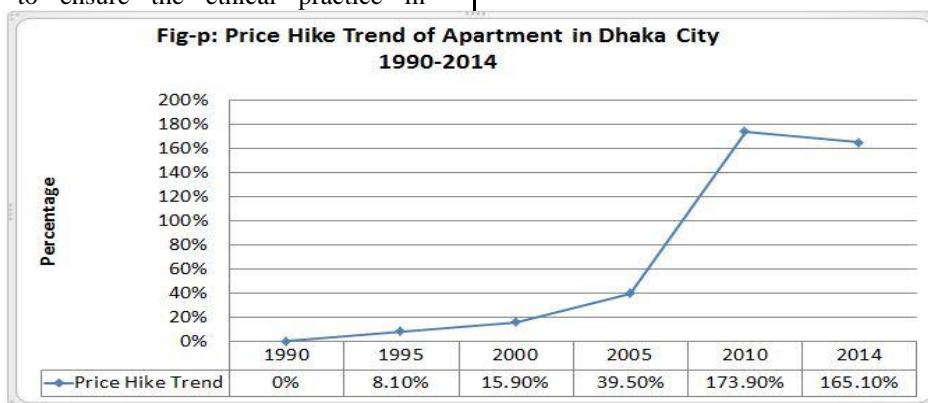
The private real estate development in Bangladesh started to begin in late in 1970s and early 1990s (Seraj, 2012). The public sector has traditionally been unable to meet the housing demand in the country and the demand, supply discrepancy has been highest in Dhaka city. In the given situation, some local construction companies took initiatives for private housing.

Once the business appeared to be a win-win situation for all the three parties, the landowner, the developer and the apartment buyer, more and more real estate developers came into the market. At the beginning in the late 1970s, there were five developers. The number has increased to forty two (42) in 1988. The demand for apartment housing was still higher and more and more came into the picture. Soon the need for a trade association was realized in order to strengthen the role of real estate sector and to ensure the ethical practice in

construction. In 1991 real estate and housing association of Bangladesh (REHAB) was formed with 11 members (REHAB, 2012). At present, more than 1500 companies are active in the real estate sector with 1081 of them registered with REHAB (Seraj, 2012). In the last four decades private developers have supplied more than 110,000 units of apartments in the nation and will be supplying 30,000 more units in the next three years (Sheltech, 2014).

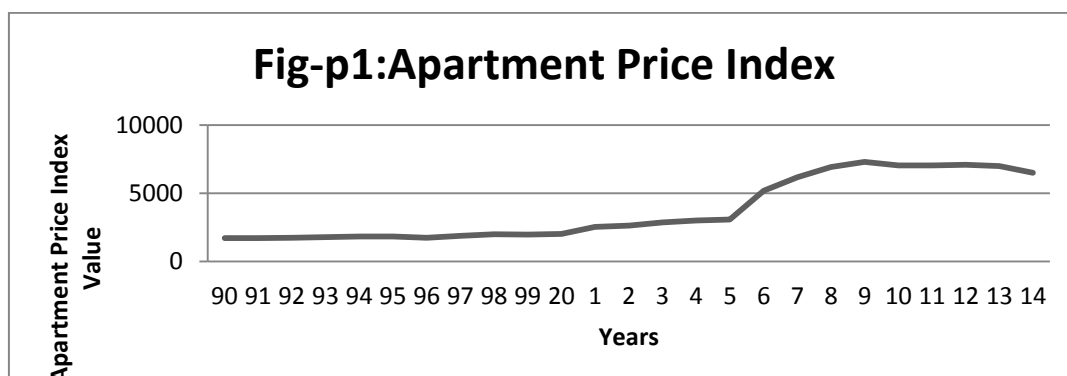
As the demand of housing is high, the business was going well and the Real Estate and Development Company earned a huge amount of profit in the past two decades. The price of land, other real estate raw materials and the cost of the labor force were also increased at a rocket speed. Different types of government fees like Registration Fees, VAT, Advance Income Tax (AIT), Stamp Duty, Property Handover Tax etc., were also increased by the time gone. As a result, for making better business the real estate company charges a high price for their product.

The following figure (Fig-p) shows the price hike trend of apartments in Dhaka city from 1990 to 2014 (Base year 1990).



Source: Statistical Yearbook, Bangladesh Bureau of Statistics (BBS)

It will be clearer with Figure-P1. In this figure (Fig-P1) shows the apartment price index of Dhaka city over a 24 year period from 1990- 2014. The index has been calculated on the basis of the additive weighted method. From the graph it can be seen that the apartment price index remained very stable and smooth with very minor changes for the decade 1990-2000. 2000 onwards, the total apartment price index scenario took a paradigm shift. For the first 5 years, the index went up by 1000 points and from 2006-2009, the index witnessed and exponential rise in index value and crossed 7000 points before experiencing a slight dip in the year 2010. From 2010-2014 the index points slightly decrease, but stays near 7000 points.



Source: Michael Shirsho Das & author’s own calculation. Base Year: 1988-89. Base Year Index Value: 1700.

In the recent years due to various political instabilities and customer dissatisfaction, the price hike rate is decreasing and the percentage of unsold apartment is also increasing. Therefore, the real estate investor is facing the very problematic situation. In this situation understanding the current market is very essential. The study about the customer's perception and expectation can be a little part of this solution.

**7. Based on the Survey the findings about the preferences of the customers:** This article is prepared based on a survey of the Dhaka city's current and potential 100 customers of real estate. Most of the respondents are male and between 30 to 60 years old and came from different occupations. The average monthly savings of them is about 20,000 to 60,000 Tk. The number of family members of the respondents living in Dhaka

city is 4 to 10. Looking into the survey the following findings were discovered:

**7.1 Preference between ready plot and apartment:** Many customers have a different choice between purchase of a ready plot or an apartment. Some consumers think that purchase of a plot is better, but some choose a ready apartment. The reasons for choosing a ready apartment are: purchasing apartment has no construction hassle and also saves time needed to oversee a construction oneself, high land price in the Dhaka city, the high price of construction related raw materials, etc. On the survey report 43% people choose to purchase ready plot and 57% people choose to purchase a ready apartment. The reasons choosing ready plot are: control over the asset, be the proud owner of a land and building, ensure a source of income etc.

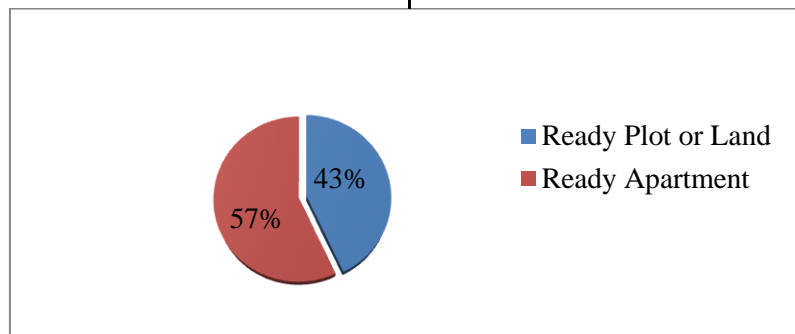


Fig-1: Preference between ready plot and apartment

**7.2 Apartment Price:** As the survey sample of potential customer (high, mid and low class) of Dhaka city, the price of the apartment should be affordable to the customer demand. In this section, we are interested to know the affordable price amount for the customers for the purpose of buying an apartment constructed by a typical real estate company in Dhaka city. In the survey, it was found

that the maximum number of consumers' (48%) affordable apartment price is 35 – 45 lakh Tk. Also, a good number of consumers (25%) have selected 45-55 lakh; whereas 20% of consumers' affordable price are above 55 lakh and a very small number of customers choosing as their affordable price for apartment 25-35 lakh. This is directly related to their income level.

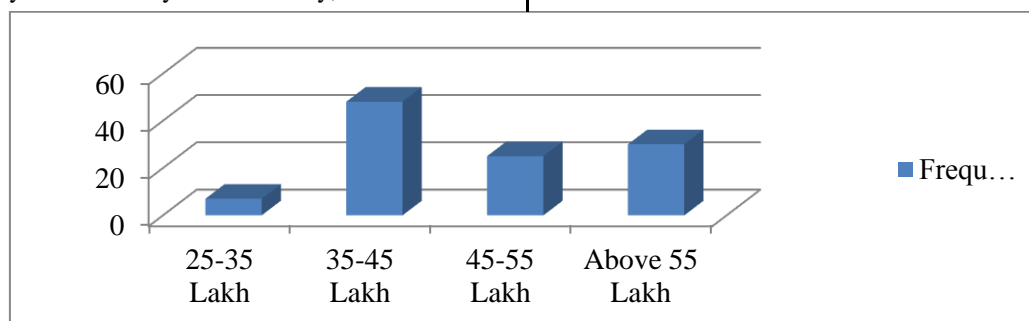


Fig-2: Customers preference of apartment price

**7.3 Apartment Size:** Apartment Size is related to the apartment price. The larger the apartment size the price of the apartment is higher. In terms of Size, majority of the Respondents (30%) prefer 1250 – 1350 Square feet. Next majority of

customers prefer 1350 – 1550 Square feet (28%). So taken together, 58% of the consumers prefer something between 1250 to 1550 Square feet. Also, there is a strong demand for even smaller flat 900-1250 Square feet (27%).

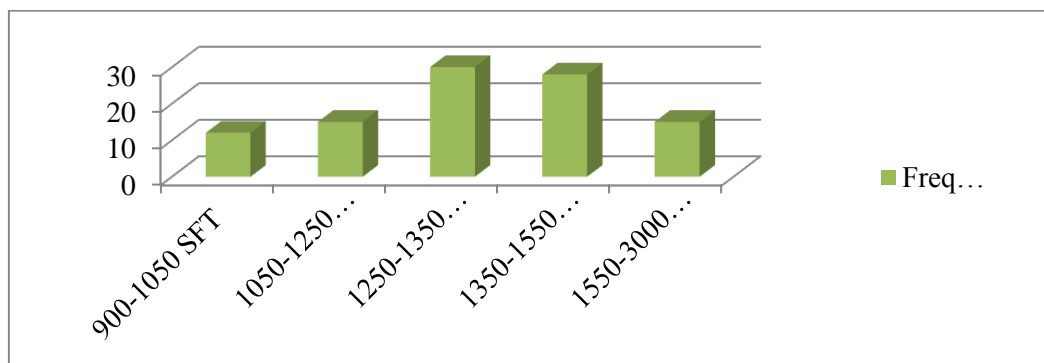


Fig-3: Customers prefer on apartment size

**7.4 Preferable Location in Dhaka city:** Location of the apartment is one of the most important factors of consumers’ preference of purchasing decision of an apartment. People choose those locations where communication facility is good and security is high. Different factors like neighborhood community, education facilities, medical facilities, recreation facilities, etc. also

affect the customer choice. Naturally the price is also related to the good location. From the table it can be stated that Bashundhara is a top preference (11%). This is because this area is one of the most prestigious areas in Dhaka city. This is followed by Banani and Dhanmondi (10%). Other top preferable locations voted by the consumers are Uttara (7%), Green Road (8%) and Shaymoli (7%).

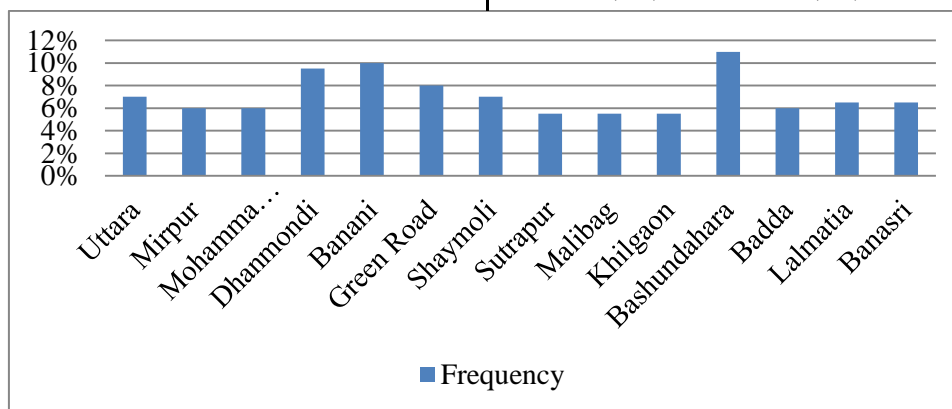


Fig-4: Preferable Location in Dhaka city

**7.5 Preferable Facilities in an Apartment:** Facilities of apartments are also an important factor of consumers’ preference in terms of an apartment. Facilities actually vary from company to company and apartment to apartment. That is why it is important to know that which types of facilities are more preferable to the apartment consumer. From

the survey, it can be stated that good communications (25%) are the most desired facilities, followed by fittings (15%) and Security (16%). Then come interior design (12%) and car parking (10%). The generator and ventilation are also important (7% and 6% respectively).

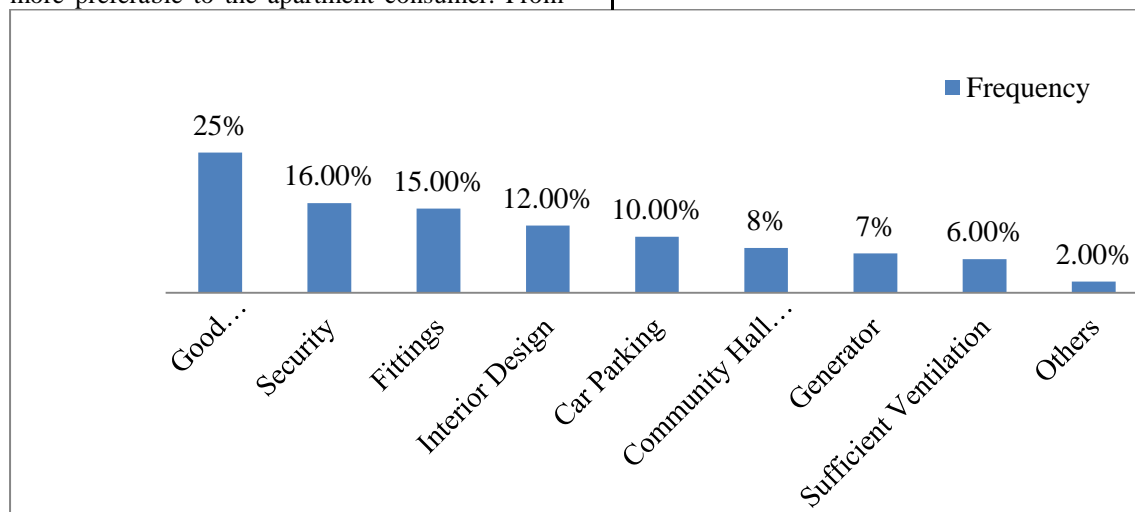


Fig-5: Preferable Facilities in an Apartment



**7.6 Factors related to Purchase Decision:** In the questionnaire some factors were given to the customers and were told to rate the factors on a Likert type preference scale, where a score of 10 means most important. From the table, we can see

that the Location and Quality of the work are most important (9 and 8 marks), followed by price (7 marks). Here, one interesting thing came out that price is not the number 1 factor, though most of the customers prefer economy budget apartment.

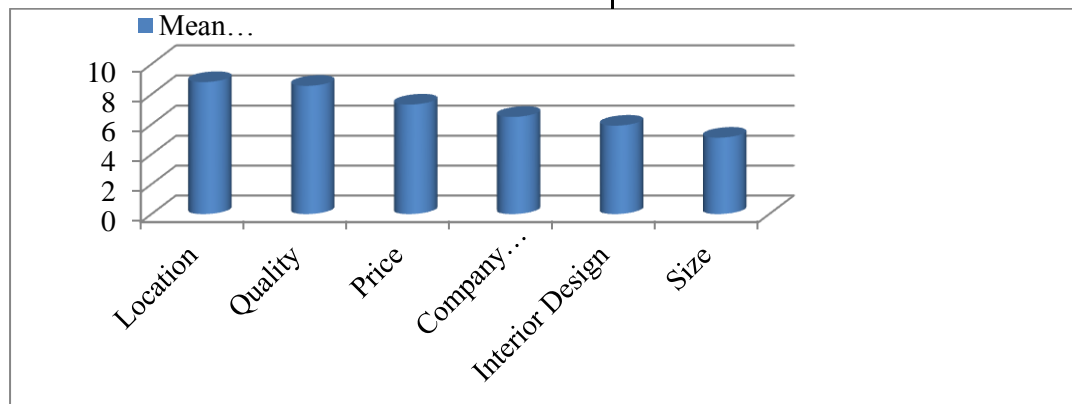


Fig-6: Factors related to Purchase Decision

**7.7 Desired Services or Facilities from a particular company (Brand):** Facilities from Real Estate and developer Company are an important aspect of the consumer purchase decision process. It is important to find out what kind of facilities consumers want from the Company. In the questionnaire some criteria are given for rating

along the scale ranging from 1 to 10. From the survey, it can be said that timely hand over or completion of the apartment project is the most important service that customers want (9 marks). It is followed by other factors like quality maintaining across the projects, installment facility, and link to bank loan to purchase the apartment.

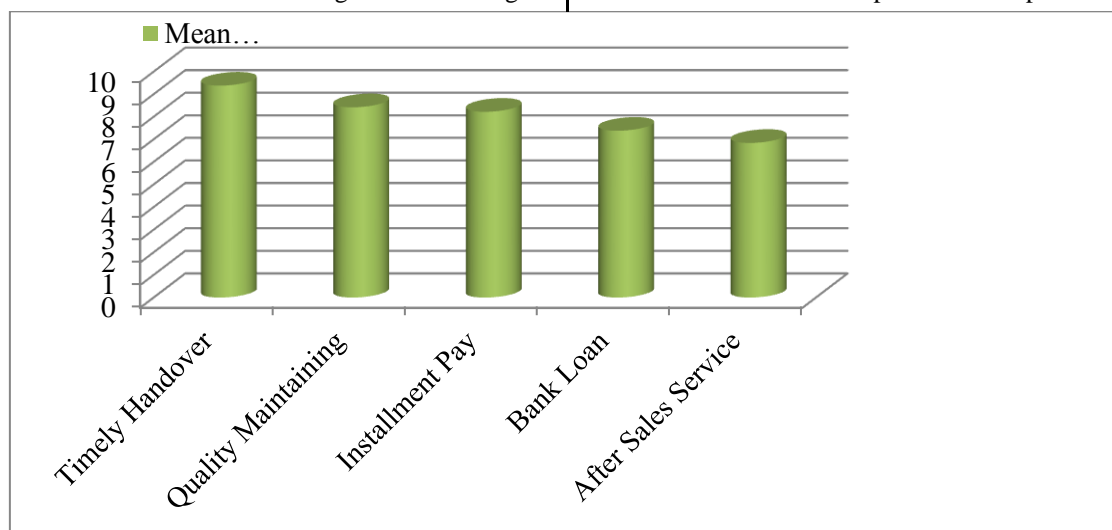


Fig-7: Desired Services or Facilities from a particular company (Brand)

8

**. Conclusion**

This study can be measured as a little contribution to the understanding of the real estate industry of Dhaka city particularly from the customer perspective. The following suggestions can be reflected in the policies and framework developed by the regulatory authority in the future:

Government should keep proper monitoring of this sector. Different types of steps should be arranged for disclosing different rules and regulations about the land purchasing and apartment building policies. Authority should provide different

guidelines to the customer about how to estimate the quality of the projects, how to check the legitimacy of the projects and the companies, some cost estimation techniques to measure the market price of the product, etc.

On the other hand, real estate companies and developers can take steps for keeping consideration about the customers' perceptions and expectations. This study can help them to understand the consumer's preferences in different dimensions. For the past experience consumers have some negative thinking about the Real Estate and

Development Company such as late handover, low quality materials, allotment problem, after sales service problem, interior designing problem, etc. That is why it is very important for the Real Estate

and Development Company to provide customer better service and make a positive impression in the consumer's mind.

## References

- Appraisal Institute, "Dictionary of Real Estate Appraisal" 4th ed, Chicago: Appraisal Institute, 2002.
- Afsar (1988), "Towards Organising the Urban poor", Bangladesh Institute of Development Studies, Dhaka, Bangladesh.
- Bangladesh Ministry of Planning. Bangladesh Bureau of Statistics "Statistical pocketbook of Bangladesh 2013," Statistics And Informatics Division (Sid), Bangladesh. Chapter 3, pp.87-89.
- Das (2014), "Easy Credit and Real Estate Bubble in Dhaka, Bangladesh- The Nexus and Policy Implications for Bangladesh Bank", World Review of Business Research, pp.167, 169.
- Demographia World Urban Areas (2015), Built Up Urban Areas or World Agglomerations, 11<sup>th</sup> annual edition, January 2015, p-108.
- Golam R. et al (2005), "Dhaka City State of Environment", Bangladesh center for advance studies, 2005. Available at [http://www.bcas.net/book-details.php?book\\_id=7&title=Dhaka%20City%20-%20State%20Of%20Environment%20%28SOE%29%202005](http://www.bcas.net/book-details.php?book_id=7&title=Dhaka%20City%20-%20State%20Of%20Environment%20%28SOE%29%202005) Searched on, 11th January, 2015.
- Gitman, L. J. et al (2005) "The Future of Business: The Essentials" Mason, Ohio: South-Western, 2005.
- Iftekhara A. et al (2012), "A Comprehensive Study on The Real Estate Sector of Bangladesh", Real Estate and Housing Association of Bangladesh (REHAB), July, 2012, pp.11, 55-57, 63.
- Lawrence Yun. et al (2012), "2012 Profile of International Home Buying Activity' Purchases of U.S. Real Estate", International Clients for the Twelve Month Period Ending March 2012. p.4.
- Moslehuddin C.K. et al (2012), "Real Estate Industry in Chittagong (Bangladesh): A Survey on Customer Perception and Expectation" Chittagong, 2012. PP.38-44.
- Rezaul K. et al (2010), "Small Scale Private Real Estate Business- challenges to the sustainable urbanization: a case study of Khulna city", Urban and Rural Planning Discipline, Khulna University, 2010, p.3.
- Salaha U. (2010) "Nature of Real Estate", Department of Urban & Regional Planning, KUET, Khulna, Bangladesh, pp.16-17
- "Statistical Yearbook for Asia and the Pacific, 2014", United Nations Publication, United Nations 2014. p.43.
- Toufiq M. S. (2012), "Private Sector Housing", Pearl publications, Bangladesh, pp.1-5, 20, 139, 149.
- Wang, Y. (1992) "Private Sector Housing in Urban China Since 1949: The case of Xian, Housing Studies" 7(2), p.137.
- World Bank Document, 2010. Retrieved from- [http://www.worldbank.org/content/dam/Worldbank/document/State\\_of\\_the\\_poor\\_paper\\_April17.pdf](http://www.worldbank.org/content/dam/Worldbank/document/State_of_the_poor_paper_April17.pdf) Searched on, 11th January, 2015.