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Preliminary Study of Factors Influencing Home Purchase Intentions Among Generation Z in Banyumas and Surrounding Areas

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ABSTRACT

This preliminary study aims to analyze the factors influencing the home purchase intentions of Generation Z in Banyumas and surrounding areas. Generation Z, who grew up in a digital and rapidly changing economic environment, faces unique challenges in homeownership. Key factors such as economic pressures, social status, lifestyle preferences, and financial literacy play a pivotal role in shaping their decisions. Rising property prices and limited access to affordable financing are significant barriers, while cultural values and the desire for long-term stability influence their preference on home ownership. Through qualitative research methods, including in-depth interviews, this study seeks to discover the influencing variables of Generation Z home purchasing intentions in Banyumas and its surrounding areas.

Keywords: Generation Z; home purchase intention; Banyumas; economic factors; social status; lifestyle preferences; homeownership

1. Introduction

Generation Z in Indonesia, particularly in the Banyumas region and surrounding areas, faces unique challenges in the process of buying a home. As a generation that grew up in the digital era amidst dynamic economic developments, they must consider various factors before making a major decision like purchasing a house. These factors not only involve economic aspects, such as rising property prices and the availability of financing options, but also include cultural factors, lifestyle preferences, and social status. As revealed in various studies, young people's decisions regarding home ownership are often influenced by economic pressures and the desire for long-term stability. In this context, Generation Z holds different preferences compared to previous generations, especially in terms of their outlook on home ownership versus renting. Research shows that mobility, lifestyle preferences, and changes in social status are key factors in determining whether they prefer to buy or rent a home. Furthermore, financial literacy has also become one of the major barriers for young people in achieving home ownership. A lack of understanding about financial products like mortgages and long-term loans causes many of them to feel hesitant or even fearful of engaging in the home-buying process. Thus, external factors such as government policies and access to credit become crucial elements that can either support or hinder their intention to purchase a home. This study aims to identify and analyze the significant factors influencing the home-buying intentions of Generation Z in Banyumas and its surrounding areas. Through this research, it is expected to gain a deeper understanding of the

preferences and challenges faced by this generation in making major decisions like buying a house.

2. Literature Review : The important factors of Gen Z decision making in high involvement product purchase

2.1 Consumer Behavior Theory :

Schiffman and Kanuk's consumer behavior theory examines how internal factors like perception, motivation, learning, personality, and attitudes, along with external influences such as culture, social groups, economic conditions, and marketing strategies, shape consumer purchasing decisions. They propose a five-step decision-making process, starting with problem recognition and followed by information search, evaluation of alternatives, the purchase decision, and post-purchase behavior. Lifestyle and consumer involvement levels also affect purchasing behavior, with high-involvement decisions requiring more thought due to higher costs or significance, while low-involvement decisions are often habitual. (Schiffman & Kanuk, 2000).

2.2 Economic Factors :

Economic factors play a pivotal role in shaping Generation Z's intentions and decisions when it comes to purchasing a home. A combination of rising property prices, limited access to credit, and fluctuating income levels are often cited as major barriers that this generation faces in their journey toward homeownership.

2.2.1 Young Adults and Homeownership in Jakarta, Indonesia

For instance, in the journal titled "*Young Adults and Homeownership in Jakarta, Indonesia*", the authors delve deeply into the economic constraints that young adults, including Generation Z, encounter in their pursuit of homeownership. One of the main challenges highlighted is the significant disparity between property prices and income levels, which makes homeownership an increasingly unattainable goal for many. The rapid rise in property prices, especially in metropolitan areas, has outpaced wage growth, leaving a considerable gap between what young people can afford and the cost of housing. As a result, many potential buyers from Generation Z are pushed out of the market, having to either delay their home-buying plans or settle for renting. (Abidoeye et al., 2021)

2.2.2 Owning versus Renting a Home—Prospects for Generation Z

Similarly, in the study "*Owning versus Renting a Home—Prospects for Generation Z*", economic constraints like the availability of affordable credit and mortgage options are emphasized as crucial factors that affect home-buying intentions. Generation Z, often characterized by their relatively lower income levels due to being early in their careers, faces difficulties in securing financing for home purchases. The stricter lending criteria implemented by financial institutions, such as the requirement for a substantial down payment or a high credit score, further complicate the process. This situation results in many young people finding it difficult to obtain the necessary credit to make their homeownership dreams a reality. Moreover, the availability of credit plays a significant role in shaping housing decisions. Access to affordable mortgages, government-backed housing loans, or subsidies for first-time buyers can make a substantial difference in whether or not Generation Z can transition from renters to homeowners. However, in many cases, the limited reach of such financial instruments means that many young adults are unable to benefit from them, exacerbating the affordability issue. (Napiórkowska-Baryła et al., 2024)

2.2.3 "Intergenerational Home Ownership"

This journal utilizes several key research variables to explore the relationship between homeownership and wealth across generations. The primary variable is home ownership status, which assesses whether individuals and their parents own homes. Intergenerational persistence is another crucial variable, measuring the likelihood of individuals becoming homeowners based on their parents' homeownership status. Wealth, including financial assets, property, and savings, is also examined in relation to home ownership. Parental homeownership during the individuals' teenage years serves as a significant predictor in the study. Additionally, the research looks at wealth distribution and mobility, exploring how wealth is transmitted across generations and its implications for homeownership mobility. (Blanden et al., 2023)

2.3 Social Status Factors :

Social status plays a fundamental role in shaping preferences for homeownership among Generation Z, as illustrated in the studies titled "*Owning versus Renting a Home*" and "*Generation Rent and the Ability to 'Settle Down'*." Homeownership, particularly for Generation Z, is more than just a financial investment or a practical decision regarding living arrangements—it is deeply intertwined with notions of personal achievement, societal recognition, and long-term security. This generation views owning a home as a significant milestone in adulthood, one that conveys a certain level of success and stability. In the context of Generation Z, homeownership is often associated with upward social mobility and the fulfillment of a societal expectation that has been passed down from previous generations. Unlike renting, which may be seen as a temporary or transitional phase, owning a home symbolizes permanence, responsibility, and independence. As such, the decision to purchase a home is not purely driven by practical concerns such as affordability or convenience; it is also motivated by the desire to attain a certain social standing. The ability to own property signals to peers, family, and the broader community that one has "made it"—that they are financially stable and capable of managing the demands of homeownership.

2.3.1 "Owning versus Renting a Home"

The journal emphasizes that Generation Z, much like the generations before them, sees homeownership as a key life goal, one that is tied to their sense of accomplishment and social identity. In many cultures, owning a home is regarded as a rite of passage into adulthood, a way to demonstrate that one has achieved financial independence and the stability required to build a family or establish oneself in a community. This mindset persists despite the growing economic challenges that make homeownership less attainable for younger generations. The desire to own a home is often fueled by the perception that renting does not offer the same level of security or status as owning a property, especially when considering long-term wealth accumulation and social recognition. Moreover, Generation Z's perception of homeownership is shaped by cultural narratives that associate homeownership with security, both financial and emotional. Owning a home is seen as a hedge against future uncertainties, such as fluctuating rental prices or housing instability. It offers a sense of control over one's living situation, where the homeowner is not subject to the whims of landlords or unpredictable changes in the rental market. This sense of control and ownership, in turn, reinforces their status in society, as they are perceived to have the stability and foresight to invest in their future. (Napiórkowska-Baryła et al., 2024)

2.3.2 "Generation Rent and the Ability to 'Settle Down'."

This study highlights that, for many young people, including Generation Z, owning a home is not just about financial prudence but also about the ability to "settle down" in a stable and secure

environment. The notion of settling down is closely linked to other life milestones, such as forming a family, securing a stable career, and achieving a sense of ontological security—the feeling that one’s life is rooted in a stable and predictable environment. In this sense, homeownership becomes a crucial component of this broader desire for stability and permanence, which is seen as essential for personal and social well-being.

Social status also plays a role in distinguishing between those who are able to afford homeownership and those who are not. In societies where the cost of housing is rapidly increasing, the ability to purchase a home is becoming a privilege reserved for those with higher incomes or access to family wealth. As a result, homeownership becomes a symbol of economic success, further reinforcing its association with social status. For Generation Z, this creates a dual pressure: on one hand, they aspire to own a home to achieve social recognition; on the other hand, they are faced with economic barriers that make this goal more difficult to attain.

This dynamic leads to a growing divide between those who can afford to buy homes and those who cannot, which may exacerbate feelings of social inequality among young adults. The pursuit of homeownership as a status symbol is also influenced by the desire for generational comparison. Generation Z often looks to previous generations, such as their parents or older siblings, who were able to buy homes earlier in life, and they feel a sense of pressure to achieve the same. Homeownership, in this context, becomes not only a personal goal but also a way to match or exceed the achievements of earlier generations. This comparison can lead to frustration or anxiety when Generation Z realizes that the economic conditions they face are significantly different from those of their predecessors, making it more difficult for them to reach the same milestones at similar ages. (Hoolachan et al., 2017)

2.4 Demographic Factors :

Several demographic factors play a significant role in shaping Generation Z's home-buying intentions. Age and lifecycle stages, such as early career progression or family formation, greatly influence housing preferences, with younger adults more likely to opt for renting rather than buying, as shown in studies like *"Owning versus Renting a Home—Prospects for Generation Z"* and *"Young Adults and Homeownership in Jakarta, Indonesia"*. Income and economic constraints, such as rising property prices, housing affordability, and access to credit, are also crucial determinants, as highlighted in research on homeownership barriers in Jakarta and financial literacy. Employment status is another key factor, with job security directly affecting the ability to afford a home; stable employment tends to increase homeownership prospects, whereas job insecurity often results in renting, according to several studies. Education level, linked to financial literacy and better employment opportunities, also plays a role in influencing homeownership, with higher education often leading to greater financial capability.

Family background, particularly the presence of financial support from family members, significantly impacts the likelihood of Generation Z purchasing a home. Marital status and family size further influence decisions, with married individuals or those with children more inclined to seek homeownership for stability. Finally, geographical variations, such as living in urban or rural areas, can affect housing affordability and availability, further shaping Generation Z's choices between owning and renting a home. These demographic factors combine with economic and lifestyle considerations to form a complex decision-making process for this generation. (Napiórkowska-Baryła et al., 2024; Abidoye et al., 2021)

3. Research Methodology

This study employs a **qualitative research method** with an exploratory approach aimed at identifying key factors influencing the home-buying intentions of Generation Z in the Banyumas area and its surroundings. The qualitative nature of the research allows for an in-depth understanding of the subject, as it seeks to explore motivations, perceptions, and preferences that may not be fully captured by quantitative methods.

Data Collection

The primary method of data collection used in this study is in-depth interviews. Participants, referred to as informants, were selected through purposive sampling based on specific indicators. These indicators included age, where informants belonged to Generation Z (born between 1995 and 2010), and education level, with participants taking part in this exploratory research. Additionally, income levels varied from entry-level salaries to mid-level professionals, providing diverse economic perspectives on home-buying. The interviews were focused on understanding various topics. First, the motivations and preferences of Generation Z concerning homeownership were explored to uncover what drives them to buy homes and what they seek in a property. Second, demographic factors, such as education, income, and family background, were analyzed to determine how these elements influence Gen Z's decision-making process regarding homeownership. Finally, the interviews examined economic factors and lifestyle choices, including housing affordability and financial literacy, to understand their role in shaping Gen Z's intentions to buy a home.

4. Results

The research findings on the factors influencing home purchase decisions among the informants reveal that economic factors are the most significant. These factors include house prices, income levels, access to mortgage options, and current financial priorities. Economic factors play a crucial role in shaping how informants assess their ability to purchase and commit to buying a home, making financial considerations the central aspect of the decision-making process. Furthermore, these economic factors can be explained in greater detail through the impact of interest rate fluctuations on mortgage payments. For instance, rising interest rates may deter potential homebuyers due to increased monthly costs, while lower interest rates may encourage more buying activity. The availability of government incentives, such as tax breaks for first-time homebuyers, can also play a significant role in improving affordability for many individuals. In addition to economic factors, demographic factors such as education level, profession, and age also influence home-buying decisions, though their impact is lower. These characteristics help determine the type of home that informants seek and the timing of their purchase.

For example, young professionals may prefer apartments in city centers for convenience and proximity to work, while families with children tend to prioritize suburban homes with larger yards and access to quality schools. However, compared to economic factors, demographic considerations have a more moderate influence on the decision-making process. While demographic factors may shape preferences for certain types of properties or locations, they are typically not as important as the financial feasibility of purchasing a home. Social status factors, which include the perception of homeownership as a symbol of success, are considered the least

influential in the home-buying process. Our informants did not heavily consider the social prestige of owning a home as a key factor influencing their intention to purchase. This is reflected in how they prioritize practical considerations such as affordability and suitability over social perceptions when making significant investment decisions like buying a home.

5. Discussion

The research findings highlights the dominance of economic factors in the home purchase decisions of the informants. From these findings, it can be concluded that financial aspects play a crucial role in the decision-making process related to property purchases. House prices, income levels, access to mortgage options, and current financial priorities are key elements that influence consumers' ability to buy and commit to homeownership. This is consistent with previous research, which indicates that economic factors, particularly affordability, are the main obstacles to homeownership for middle- and lower-income groups.

Fluctuations in interest rates that affect monthly mortgage payments are also shown to be significant in influencing purchase decisions. Rising interest rates can limit consumers' ability to buy a home due to higher monthly costs, while lower interest rates tend to encourage more buying activity. Additionally, government incentives, such as tax breaks for first-time homebuyers, provide substantial stimulus, especially for young individuals purchasing their first home. This indicates that appropriate government policy interventions can play an important role in increasing housing affordability for the public.

On the other hand, although demographic factors such as education level, profession, and age also influence home-buying decisions, their impact is less significant compared to economic factors. Demographic factors seem to play more of a role in shaping preferences for the type and location of homes. For example, young professionals may prefer apartments in city centers due to their convenience and proximity to work, while families with children tend to prioritize suburban homes with larger spaces and access to educational facilities. This shows that demographics are more related to consumer preferences than their financial ability to buy a home. Lastly, social status factors, particularly the perception of homeownership as a symbol of success, are considered the least influential in the home-buying decision process. The informants prioritized practical considerations such as affordability and suitability to their needs over social aspects. This reflects a shift in values where today's generations, especially millennials and Gen Z, place greater emphasis on functionality and comfort rather than social prestige in homeownership. This finding supports the theory that in challenging economic contexts, such as rising property prices and economic uncertainty, consumers tend to make rational, need-based decisions rather than those driven by social status.

6. Conclusion

Based on the research findings, it can be concluded that economic factors play the most significant role in influencing home purchase decisions among the informants. House prices, income levels, access to mortgage options, and financial priorities are central in determining their ability to purchase and commit to homeownership. Fluctuating interest rates and government incentives, such as tax breaks for first-time homebuyers, further shape these decisions by affecting affordability.

Although demographic factors such as education, profession, and age also contribute to home-buying choices, they have a more moderate influence, primarily shaping preferences for housing type and location rather than the overall financial feasibility. In contrast, social status

factors, including the perception of homeownership as a symbol of success, are considered the least influential. The informants prioritize practical considerations, such as affordability and suitability, over social prestige when making significant investment decisions like buying a home.

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