“Consumer aspirations and intentions: an evaluation of housing products and services in Mongolia”

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Consumer aspirations and intentions: an evaluation of housing products and services in Mongolia

Abstract

Mongolia is undergoing a rapid process of transition to a market economy, and, in this process, one of the greatest challenges for the government and industry is providing adequate housing for a large proportion of the population living in the capital city, Ulan Bator. Local and international firms entering this very lucrative market need to understand the preferences of residential property buyers, which are distinct and specific to this market. The study addressed in this article identifies the functional attributes and information sources considered important for the Mongolian middle-class consumer when purchasing a home with the goal of providing guidance to local and international firms entering this lucrative market and to the local government directing housing development.

Keywords: Mongolian consumer housing choice, social class appeals, branding.

Introduction

For over two decades, Mongolia has experienced an unprecedented degree of economic, political, legal, and social transformation: since the demise of Communism in the 1990s, the process of transition to a market economy, privatization, reform, deregulation, and foreign direct investment have fully changed the Mongolian housing landscape – and the overall effects of transition to a market economy in terms of aggregate economic growth have been most pronounced in the capital city, Ulan Bator (Jamiyansuren and Lascu, 2011).

This article provides an overview of the Mongolian government’s and the real estate industry’s approach to providing and marketing housing for a rapidly increasing urban population in Ulan Bator. The article then introduces an exploratory study whose goal is to identify the functional attributes and information sources considered important for the Mongolian middle-class consumer when purchasing a home with the purpose of providing guidance to local and international firms entering this lucrative market and to the local government directing housing development.

The next section offers an overview of the existing research on residential preferences of housing consumers. The section following offers an overview of economic development in Mongolia in light of its rapid transition to a market economy, and its rapid economic growth fueled by the mining industry. That section is followed by an analysis of Mongolia’s housing markets and a discussion of the builders’ considerations for developing housing for the Mongolian population, their branding strategies, and their use of service providers to communicate their strategies to consumers. Following, an exploratory study is introduced addressing respondents’ assessment of functional attributes and sources of information used in the process of their home purchase decision. Finally, insights are offered for strategies that the government and firms involved in housing development might use in the process of addressing the housing needs of Mongolian consumers.

1. Literature review

1.1. Consumer housing preferences. Research on residential housing choice explains housing preferences based on consumer demographics, such as age, current housing situation, housing composition, and income (Rossi, 1980; Sirgy et al., 2005). Economists have also developed models of housing preferences based on macro-level factors such as the housing market and economic cycle (e.g., De Jong and Fawcett, 1981; Clark and Dieleman, 1996), which views the home as a bundle of benefits or utility that needs to be traded off against costs (Sirgy et al., 2005). Another stream of research has used social psychological concepts and models to predict residential housing selection, using, for example, the cognitive-behavioral approach (Ritchey, 1976), which has spawned much research focusing on the psychological determinants of housing preference and choice. However, with the exception of a few studies such as De Jong and Fawcett (1981), Lindberg et al. (1987), Coolen and Hoekstra (2001) and Coolen et al. (2002), research on motivational factors of housing preference and choice has been scarce (Sirgy et al., 2005).

An important consideration is the psychological evaluation of one’s home. Individuals evaluate their home based on its utilitarian aspects and in relation to one’s housing preference: a home with ideal features. This is known as functional congruity and it is defined as the psychological evaluation of a home based on a comparison of utilitarian aspects of the home with ideal features (Varvoglis and Sirgy, 2004).
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1984; Sirgy and Johar, 1985a, b; Sirgy et al., 2005). Home buyers may consider the price of the dwelling, its location, quality, construction and design, the structure of the room, financing arrangements, among others (Howell and Frese 1983; Luger, 1996; Vale, 1998); these criteria are functional in the sense that the home features are related to the core function of what a home is supposed to be, and how it is designed to satisfy the needs associated with daily living (Sirgy et al., 2005).

Many studies on housing preferences and choice to date have assessed how homebuyers evaluate homes using functional criteria (e.g., Foote et al., 1960, Bell, 1968; Michelson, 1977; 1987; Boehm, 1982; Timmermans et al., 1994; Luger, 1996; Molin et al., 1996, 2001; Franklin, 2000) and their findings suggest that the greater the match between the perceived residential utilitarian features (such as home quality and financial costs related to the home purchase and maintenance) and the homebuyer’s desired home features, the more likely that the homebuyer will prefer and feel motivated to purchase that home (Sirgy et al., 2005).

Research in emerging markets found that functional housing attributes are important considerations for purchase decisions in low and middle-income countries, especially in the case of the middle class (Li, 2011). Specifically, middle-class households were found to place much more importance on housing attributes, compared to upper middle-class households, who place more importance on the transportation network and the neighborhood infrastructure (Li, 2011).

The present study focuses on Mongolia’s large middle class homebuyers in Ulan Bator and examines their own assessment of functional housing attributes that have been deemed by previous research as important considerations for purchase decisions. The next section offers a background on Mongolia’s process of transition to a market economy and, subsequently, addresses Mongolia’s current housing crisis from the perspective of the government, industry, and consumers.

1.2. Mongolia: background. The government of Mongolia has been grappling with a housing crisis in the recent years. Mongolia is currently experiencing a double-digit economic growth and a resulting population influx into the capital city that has given rise to a severe housing shortage (Jamiyansuren and Lascu, 2011). The government and international development organizations have worked extensively for the past decade to improve the living conditions of the population by initiating several programs for developing the local housing market and by supporting private sector efforts through loans. Specifically, the government plans to provide up to 40,000 households with improved housing and to support the housing industry, which, currently, employs only 4.3 percent of the workforce (Euromonitor International, 2012).

While Mongolia’s current growth has been unprecedented in its history, its market economy is extremely vulnerable to volatility in global commodity prices, given the concentration of growth in mining and herding (IHS Global Insight 2011; Jamiyansuren and Lascu, 2011). The collapse in copper prices and the global financial crisis has deeply affected the country’s economy in 2009, such that the International Monetary Fund had to step in to provide a $224-million loan (IHS Global Insight, 2011; Jamiyansuren and Lascu, 2011). Nevertheless, Mongolia today is on its way to a strong recovery. Its economic growth is largely attributed to the construction of the Oyu Tolgoi copper and gold mine, the world’s largest underdeveloped copper-gold project launched as a result of a joint investment by the Mongolian government and a British, Australian, and Canadian mining consortium. Its growth is also attributed to the herding of livestock, which represents the second largest share of domestic output, employing 30% of the labor force (IHS Global Insight, 2011; Jamiyansuren and Lascu, 2011).

Mongolia continues to receive substantial help from donor aid that is essential in the process of maintaining economic stability, especially as the country is often subject to severe weather conditions, which could create economic risks at any given time (IHS Global Insight, 2011). Its population is small, at 2.76 million, projected to be 2.85 in 2015 (IHS Global Insight, 2011) and its nominal GDP per capita is at $2,546 in 2011, making it one of the world’s poorest countries – ranked 166, just ahead of the West Bank; however, nominal GDP is projected to reach $5,045 in 2015 (Gluckman, 2011), placing it comfortably at the level of a middle-income country (Gluckman, 2011; Jamiyansuren and Lascu, 2011). Mongolia’s stock exchange, the world’s smallest, rose 125 percent in 2011, and conservative forecasts (by the International Monetary Fund) are for double-digit GDP growth rates, with less conservative ones predicting an economic output that would quadruple by 2013 (Gluckman, 2011; Jamiyansuren and Lascu, 2011).

The Mongolian government is keeping a close watch on the country’s rapid economic development, controlling inflation and addressing negative growth.
outcomes. For example, the government has recently approved the Fiscal Responsibility Law, aimed to restrict rapid spending growth from mining revenues and to prevent excessive borrowing against future wealth (IHS Global Insight, 2011; Jamiyansuren and Lascu, 2011). It is also ensuring that the influx of new businesses and population to support these businesses are appropriately supplied with the necessary housing.

After emerging in the early 1990s from seven decades under the Soviet umbrella, Mongolia today is completely changed. Its capital city, Ulan Bator, looks very much like a Chinese boomtown, with exploding property prices, huge capital inflows, concerns about corruption, widening gaps in income disparity, and expensive automobiles (Gluckman, 2011). Popular and expensive Western brands are invading the Mongolian landscape, many wooing the luxury consumer. For example, Louis Vuitton opened in the posh Central Tower in the proximity of Sukhbaatar Square; there, a glass cabinet holds a horse saddle encrusted in gems, and a crocodile purse priced at $20,000 is within proximity of watches that are well over $10,000 (Gluckman, 2011). This is very much in contrast with Mongolia’s standard of living, which is among the world’s lowest – at least for now.

1.3. Mongolia: housing overview. Since the 1990s, when Mongolia transitioned from a planned economy to a market economy, the construction of new buildings has increased sharply and 3,725 families moved to new apartments in Ulan Bator (Battulga, 2009). More and more individuals are moving to the city in search of better education and job prospects, and more and more need housing.

The Mongolian government currently has engaged in several projects aimed at providing solutions to the housing challenge. One such endeavor was setting up the Sustainable Development Tasks Force, and providing support for the “40,000 Family Housing Project” between 2004 and 2009; the Project helped build new apartments for families working for the government of Mongolia (Bayarsaihkan, 2010; Jamiyansuren and Lascu, 2011).

Between the years 2000 and 2009, construction companies and private businesses have built from 680 to 8574 apartments annually (Bayarsaihkan, 2010; Jamiyansuren and Lascu, 2011), many for investment purposes. According to the Population and Housing Census, 22.8 percent of the population owns housing units with plumbing, electricity, and separate bathrooms and kitchens; and yet, with all the construction taking place in Mongolia, only 12,000 individuals have moved to the new apartments, with the rest in dire need of new homes (Bayarsaihkan, 2010; Jamiyansuren and Lascu, 2011). A discussion of housing development in Mongolia can be effectively organized based on social class. There is a clear distinction between market offerings to the different social classes.

1.3.1. Housing opportunities for the lower-class. More than half of the total population of Mongolia lives in Ulan Bator. Between 1999 and 2002, three consecutive harsh winters sent thousands of nomads into the capital city. Today, their ger or yurts crowd neighborhoods at the city’s fringe, as former herders attempt to fit into the city’s modern landscape (Guang, 2012). Ger are comprised of 1 or 2 room houses with electricity, but with no central plumbing and heating – they rely on coal for heating, which creates a high level of air pollution. It is a high priority for the Mongolian government to move the population from ger into high-rise apartments with central heating systems.

1.3.2. Housing opportunities for the upper-middle class and upper class. Upper-middle class consumers and upper-class consumers constitute the primary target market of top builders in Mongolia. These consumers often can afford to purchase single family two-story houses and townhouses, and many do so with remittances from family members working abroad – nearly one fifth of the labor force works abroad (Lee 1993) and sends remittances to facilitate the purchase of apartments or houses (Jamiyansuren and Lascu, 2011). These builders advertise their projects on television, in weekly newspapers, and on billboards in the city center, and offer open houses to market their homes to prospective buyers. They also use real estate agencies to market new apartments, homes, and even districts. To differentiate their offerings, builders have created new communities marketed as “Japan town”, “Marshal town”, or “Digital town”. Mongolian names often have references to traditions – for example, “Sun Rise town”, “Krystal town”, and “Rich Mongolian town”. This is in sharp contrast to names under the socialist rule, where districts were designated using numbers, such as first, third and forty thousand neighborhood, to name a few.

In 2006, the “Japan town” district offered homes with a price of $650 per square meter, with the kitchen installed and with built-in entertainment center furniture. Then, a competing Mongolian Construction Company followed suit to offer garages for cars to the first families who purchased. In 2009, builders also focused on creating playgrounds, sheds where the elderly could congregate, a more modern interior design, and so on.
Builders are keen on finding available lots in the center of Ulan Bator, in the Tool River basin, and the Bogd Khan Mountain area, a protected park located in the Red Nature Book of Preserved Lands, a scenic area 15 miles from the center of Ulan Bator. There appears to be a hierarchy of builders, from the point of view of Mongolians, with the top-ranking construction companies from Japan, followed by Korean and then by Chinese companies.

1.3.3. Housing opportunities for the middle class. Prices for apartments in Ulan Bator have practically doubled in the last decade, making the purchase of an apartment a challenge for most middle-class families (Jamiyansuren and Lascu, 2011). The government, until recently, has focused primarily on the resettlement of nomads in the capital city, and builders, similarly, have primarily focused on creating the new communities described above aimed at the upper-middle class, upper class, and expatriates. In 2012, Mongolia’s ruling People’s Party has decided to turn its focus to the middle class, to ensure its expansion: the Party charted a development plan from 2011 to 2031 in which it pledged to support the country’s middle class, such that the country’s GDP per capita, just under $12,491 in 2013, would be $60,000 by 2031 (China Daily, 2012). Herein, thus, resides the greatest opportunity for local and foreign direct investment, as the bulk of future demand will come from the increasingly wealthy Mongolian middle class, whose new-found wealth will dictate the property prices of the majority of the market (Mongolia-Web, 2009). And, as Mongolian commercial banks recover and mortgages are more widely available, the middle-class market is expected to move from cash only purchases to mortgage-driven acquisitions, thereby making house ownership affordable to a larger segment of the domestic market (Mongolia-Web, 2009).

In line with these findings, the present study attempts to unveil functional housing attributes that Mongolian middle-class consumers deem important for their purchase decisions. When searching for an apartment, Mongolian middle-class consumers appear to evaluate their prospective purchases on many of the same functional dimensions as Western buyers – prices, apartment style, neighborhood, number of rooms, and so on. From one author’s experience, it appears also that the builder’s reputation in particular is an important consideration for middle-class consumers. The study presented, thus, attempts to evaluate functional considerations, sources of information, as well and the builder’s reputation in the process of assessing housing options. The next section addresses the method used for collecting data, including the sampling procedure and the operationalization of variables.

2. Method

2.1. Sampling and procedure. The street-intercept procedure was used for the data collection, the capital city, Ulan Bator. The intercept method is well-established in marketing research, dating from the 1970s. As established by Bush and Hair (1985), the intercept method is a unique face-to-face interviewing method that can provide rich information to the interviewer. The intercept method is particularly effective in environments where individuals are suspicious of telephone interviews (Bush and Hair, 1985), which is the case of many former command economies (Manrai et al., 1995). Fifty trained investigators were hired to collect data from areas in the proximity of what middle-class-frequented destinations: the State Department Store, the Central Post Office, the South Grocery Market, the Sunday Market Department Store, and the Bayunzurch Market. A total of 500 questionnaires written in Mongolian and translated and back-translated into Mongolian by qualified experts were administered. The interviewers invited every second individual approaching each target location to participate in the study. If an individual refused to respond, the interviewer approached the next individual. The interviewer introduced the study as an international survey conducted by researchers at a Mongolian university and the respondents were informed that the aggregate responses in the study would be shared by the university locally, as well as internationally. A total of 459 of the individuals approached agreed to participate in the study, yielding a response rate of 91.8 percent. A total of 450 data completed questionnaires were deemed to be usable.

2.2. Research instrument/operationalization of variables. The research instrument, comprised of a survey questionnaire, was shared with researchers for feedback and pretested. The pretest performed well, with one exception: respondents were sensitive to questions regarding income and were less likely to cooperate with the interviewer. Similar findings were reported in pretests in other former command economies (Manrai et al., 1995). Consequently, measures of income and wealth were dropped from the questionnaire, but it was determined that the loci of the data collection (the State Department Store, the Central Post Office, the South Grocery Market, the Sunday Market Department Store and the Bayunzurch Market), were sufficient to ensure respondents’ middle-class status.
The approved questionnaire evaluated functional housing attributes relevant in the Mongolian market. Specifically, respondents were asked if they lived in a single-family house, an apartment, a ger or yurt with a yard, or a ger/yurt in someone else’s yard. They were also asked about the number of rooms in their dwelling and whether their home was in Ulan Bator city. Respondents had to indicate if they planned on buying a new home in the near future and most responded that they were planning to move to a new home. They were asked about the number of rooms of the intended apartment and the extent to which price was an important consideration for the purchase decision. The respondents were also asked about the sources of information that they would likely consult for the apartment – friends, television advertisements, newspaper advertisements, street posters, or the services of a real estate firm. They were then asked to indicate the extent to which the following factors would influence their decision to buy an apartment using a 5-point semantic differential scale; the factors were: price, location, neighborhood, bank loan interest, reputation of the building company, apartment quality, construction and design of the apartment, structure and plan of the rooms, demand for apartments, and the supply of apartments. Respondents also indicated their age category, their gender, the number of family members living in their current home, and whether they lived in Ulan Bator, in a town in the provinces, or in the countryside. All respondents in the sample indicated that they lived in Ulan Bator. Finally, the respondents indicated whether they worked for the state government, for a nonprofit organization, for a private employer, whether they owned their own business, if they were unemployed, or retired, or if they were students.

3. Results and discussion

Table 1 shows that the respondents were evenly distributed with regard to age, with 137 (30.4%) under the age of 25, 165 (36.7%) between 26 and 35, 119 (26.4%) between 36 and 50, and 29 (6.4%) over the age of 51. Figure 1 offers a pie-chart of the distribution which suggests that the three age categories under 51 are predominant. In a relatively young country, where the average 21 and 70% of the population is under the age of 35 (MongoliaToday.com, 2011), this distribution is deemed as representative of the target population. (see Table 1 and Figure 1).

A total of 176 respondents (39.1%) were male and 274 (60.9%) were female. The number of family members living together ranged between 1 and 11, with a mean of 3.86 (Table 2).

Table 2. Number of family members per household

<table>
<thead>
<tr>
<th>Number per household</th>
<th>Number of respondents</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>18</td>
<td>4.0</td>
</tr>
<tr>
<td>2</td>
<td>46</td>
<td>10.2</td>
</tr>
<tr>
<td>3</td>
<td>127</td>
<td>28.2</td>
</tr>
<tr>
<td>4</td>
<td>133</td>
<td>29.6</td>
</tr>
<tr>
<td>5</td>
<td>74</td>
<td>16.4</td>
</tr>
<tr>
<td>6</td>
<td>37</td>
<td>8.2</td>
</tr>
<tr>
<td>7</td>
<td>5</td>
<td>1.1</td>
</tr>
<tr>
<td>8</td>
<td>4</td>
<td>.9</td>
</tr>
<tr>
<td>9</td>
<td>4</td>
<td>.9</td>
</tr>
<tr>
<td>10</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>11</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

The pie chart in Figure 2 shows that respondents primarily come from households consisting of three, four or five individuals (Figure 2), and most respondents stated that they worked as entrepreneurs or that they were employees working in the private sector (see Table 3).
The study found that most respondents relied either on television (197) or on newspaper advertising (120), and on real estate services (82), but not as much on friends’ advice (39). Thus, broadcast and print media are most often used by prospective customers as information sources. Not surprisingly, real estate services are not used as much as in high-income countries as information sources, as they constitute a new service in the market, with a lower level of consumer familiarity (see Table 4 and Figure 3).

Table 4. Sources of Information for dwellings in Ulan Bator

<table>
<thead>
<tr>
<th>Sources</th>
<th>Number of respondents</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Friends</td>
<td>39</td>
<td>8.7</td>
</tr>
<tr>
<td>Television advertising</td>
<td>197</td>
<td>43.8</td>
</tr>
<tr>
<td>Newspaper advertising</td>
<td>120</td>
<td>26.7</td>
</tr>
<tr>
<td>Real estate services</td>
<td>82</td>
<td>18.2</td>
</tr>
<tr>
<td>Billboards</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>442</td>
<td>98.2</td>
</tr>
</tbody>
</table>

One’s current type of dwelling was significantly related to the importance of price for a future home (Chi-square = 32.74, $p < .01$). Price was especially important for those living in apartment buildings or in a ger/yurt (Figure 4). Individuals with single-family homes are well off financially, comparatively and it is possible that these 10 respondents might not be middle-class.

Table 5. Size of desired apartment

<table>
<thead>
<tr>
<th>Sources</th>
<th>Number of respondents</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 room</td>
<td>22</td>
<td>4.9</td>
</tr>
<tr>
<td>2 rooms</td>
<td>146</td>
<td>32.4</td>
</tr>
<tr>
<td>3 rooms</td>
<td>142</td>
<td>31.6</td>
</tr>
<tr>
<td>4 rooms</td>
<td>28</td>
<td>5.8</td>
</tr>
<tr>
<td>5 rooms or more</td>
<td>8</td>
<td>1.8</td>
</tr>
</tbody>
</table>
One’s current type of dwelling was also significantly related to the number of rooms desired (Chi-square = 30.26, p < .01) – see Figure 5. The Figure indicates that there is a very clear pattern: individuals in apartment buildings desire to have primarily 3-room dwellings, whereas individuals with ger/yurts would like to trade up to 2-room dwellings. For most middle-class consumers, a four-room dwelling is not perceived as a realistic possibility.

![Bar Chart](image)

**Fig. 5.** Type of current home and number of rooms sought

Interestingly, however, not everyone wants to trade up. While one’s current number of rooms was significantly related to the number of rooms desired (Chi-square = 38.72, p < .01) – see Figure 6 – the respondents indicating that they currently had 3 rooms stated that they wanted to move to a new apartment that also had 3 rooms. It is assumed that these individuals are motivated to move from their current apartment for a better location or to obtain an apartment with a different layout.

![Bar Chart](image)

**Fig. 6.** Number of rooms in current home and number of rooms sought

The number of rooms in one’s current dwelling was also significantly related to the source of information individuals consulted for real estate purposes (Chi-square = 30.55, p < .05). It appears that those individuals living in 1- and 2-room dwellings are consulting more sources of information, particularly newspaper and television advertising, but also real estate companies in the case of those living in 2-room dwellings, whereas those living in 3-room dwellings are primarily relying on television advertising for information (see Figure 7).

![Bar Chart](image)

**Fig. 7.** Number of rooms in current home and sources of information

Among other findings, the more rooms individuals had, the less they considered price as an important variable (Chi-square = 100.33, p < .01) and the more they considered the construction and design of the apartment (Chi-square = 47.87, p < .01). Also, the fewer rooms one currently owned, the more important the mortgage interest charged by the banks (Chi-square = 37.86, p < .01), as it can be assumed that these individuals would have to apply for a loan in order to be able to purchase a new dwelling.

The builder’s reputation is deemed important in individuals’ home purchase decisions. While there was no relationship between the number of rooms in one’s current dwelling and the importance of the reputation of the builder (Chi-square = 20.54, p > .10), there is a significant relationship between the size of the apartment sought and the importance of the reputation of the builder (Chi-square = 43.52, p < .01), with the builder’s reputation most important for those seeking 3 rooms, followed by 2 rooms (see Figure 8).
It appears that those seeking a 1-room dwelling are not as concerned with builder reputation. These individuals are most likely most concerned with the availability of homes, rather than with the added value that a builder’s reputation could potentially provide. As more builders compete for consumers and more building stock becomes available, the builder will increasingly become an important consideration.

The importance of the builder’s reputation is also significantly related to the sources of information consulted (Chi-square = 45.04, \(p < .01\)). Those who stated that the builder should have an excellent or a very good reputation appeared to consult television and newspaper advertising and, to a greater extent than the other respondents, real estate professionals (see Figure 9).

![Figure 8: Importance of builder reputation and number of rooms sought](image)

![Figure 9: Importance of builder reputation and sources of information consulted](image)

The importance of the builder’s reputation is also significantly related to the importance of price for the apartment (Chi-square = 95.28, \(p < .01\)). Those who deem it important that the builder should have an excellent reputation also state that the price of the dwelling is very important (see Figure 10). The two variables are highly correlated, as expected (\(r = .3, \ p < .01\)).

![Figure 10: Importance of builder reputation and importance of price](image)

Table 6 offers some insights into the average importance ratings of price, location of the apartment, loan interest rate, builder reputation, quality of apartment, construction and design and structure of room. The study found that the location of the apartment, the builder reputation, and the structure of the rooms were important variables that affected individuals’ purchase decisions. Comparatively, not as important are the loan interest rate, the price, quality, and construction and design. (see Table 6).

**Table 6. Importance ratings for factors affecting purchase decisions**

<table>
<thead>
<tr>
<th>Sources</th>
<th>Average importance rating*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price of apartment</td>
<td>2.17</td>
</tr>
<tr>
<td>Location of apartment</td>
<td>2.42</td>
</tr>
<tr>
<td>Loan interest rate</td>
<td>1.98</td>
</tr>
<tr>
<td>Builder reputation</td>
<td>2.51</td>
</tr>
<tr>
<td>Quality of apartment</td>
<td>2.14</td>
</tr>
<tr>
<td>Construction and design</td>
<td>2.16</td>
</tr>
<tr>
<td>Structure of rooms</td>
<td>2.87</td>
</tr>
</tbody>
</table>

Note: *On a scale from 1 to 3, where 1 is unimportant and 3 is very important.

These findings are attributed to cultural and economic variables. Most prospective buyers are likely to pay cash for their house purchase – if not the entire sum, then close to that amount. Thus, the loan interest rate is not as important as other factors, with an average rating of 1.98.

Also, the quality of the apartment, the construction and design can be altered by individuals, as they can hire workers to rectify any problems for a
reasonable price—hence, quality and construction and design are not as important as other variables, with an average rating of 2.14 and 2.16, respectively. However, the structure of the rooms can only be remedied at higher costs and, often, with great difficulty. A tunnel-like apartment, with access in one room from another is likely to be less desirable than one where the rooms converge on a common hallway. Thus, structure is deemed as very important, with an average rating of 2.87 out of 3.

As in Western countries, the builder’s reputation and the apartment’s location is paramount, with an average importance rating of 2.51 and 2.42, respectively, out of 3. However, unlike in Western countries, price does not appear to be a paramount consideration, with an average importance rating of 2.17 out of 3. This is not to say that price is irrelevant, but it is less of a consideration, as it is possible that the differentiation for this category of apartments might not be great. Assuming that an apartment is located centrally, but built with less comfort and fewer desirable features, buyers can purchase the apartment and later alter it to their satisfaction. Thus price is not central in Mongolian consumers’ evaluation—the apartment’s structure, the location, and the builders are the most important considerations.

Managerial implications and conclusions

The Mongolian housing market is about to experience a boom, dovetailing on the boom in the extraction industry. Local and multinational firms have primarily focused on high-income consumers, whereas the Mongolian government has, until recently, focused on alleviating the situation of low-income migrants on the outskirts of Ulan Bator. As both the government and the private sector are turning their attention to middle-class housing needs, it is important to assess the preferences of middle-class consumers.

The study presented herein attempted to offer insights into the housing market of Mongolia, and into the related services and sources of information. It attempted to illustrate how consumers approach information sources, related services, and decision making related to house ownership. An attempt was made to uncover the sources of information consulted in the process of purchasing a home—friends, television advertisements, newspaper advertisements, street poster, or consulting with real estate services. Respondents were then asked to indicate the extent to which price, location, neighborhood, bank loan interest, reputation of the building company, apartment quality, construction, and the design of the apartment, the structure and plan of the rooms, the demand for apartments, and the supply of apartments influenced their decision to purchase an apartment. The study found that consumer demand is the greatest for dwellings with two and three rooms. Thus, builders in this market targeting middle-class consumers should primarily emphasize smaller apartments. This intuitively makes sense, as urban Mongolians tend to live in smaller households consisting of the nuclear family. Similarly, individuals living in apartment buildings were found to aspire primarily to 3-room dwellings, whereas individuals with ger/yurts expressed a preference to trade up to 2-room dwellings; very few respondents indicated a preference for a four-room dwelling, which was not perceived as a realistic possibility.

The number of rooms in one’s current home was an important determinant of the number of rooms desired, with individuals trading up most of the time, with the exception of those who already had 3 rooms and who stated a preference for 3 rooms, rather than more rooms. It is well possible that these respondents were contemplating a move to a better location or to an apartment with a different layout. The number of rooms in one’s current home was also related to the type of information consulted regarding real estate: the more rooms individuals had in their current dwelling, the more sources of information—other than friends—they were likely to consult. In particular, they were likely to consult newspapers, television advertising, and real estate services and information.

The builder’s reputation is deemed important in individuals’ home purchase decisions, particularly for those consumers intending to purchase larger dwellings. Those who consider the builder’s reputation important also appear more likely to consult television and newspaper real estate advertising, and even real estate professionals, a relatively new service offering in Mongolia’s transition economy. The builder’s reputation is also significantly related the importance of price for the apartment.

Finally, the study found that the location of the apartment, the builder reputation, and the structure of the rooms were important variables that affected individuals’ purchase decisions, whereas the loan interest rate, the price, quality, and construction and design were not considered as important.

The present study offers insights that may be useful to the housing industry as it plans to address the needs of the Mongolian middle-class consumers. Local and international firms planning to enter the Mongolian market to provide much
needed housing will benefit from a more thorough understanding of their target consumer needs and preferences that future studies could conduct. Such studies could involve more in-depth preference and behavioral assessments of Mongolian housing consumers, location studies, builder country-of-origin studies, and longitudinal observation that might assess changes in the housing needs and preferences of Mongolian consumers.

References