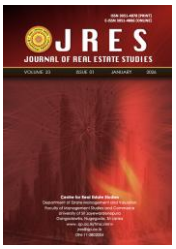

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From Necessity to Lifestyle: A Comparative Analysis of Evolving Generational Behavior and Housing Purchase Determinants in Sri Lanka (1982-2024)

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ABSTRACT

Housing purchase decisions among middle-income households reflect broader socio-economic transformations and evolving urban aspirations, particularly within government-led housing developments. This study comparatively examines the Mattegoda National Housing Scheme (1982) and the Viyathpura Housing Project (2024) to examine the Key Behavioral factors influencing Housing Purchasing Decisions among Middle-income buyers and to compare how these factors and buyer expectations have evolved between Government Housing Developments (1982-2024). Adopting a mixed-method comparative research design, data were collected from a sample of 111 residents across the two developments. Quantitative analysis was conducted using Principal Component Analysis (PCA) and Correlation Analysis to extract core behavioral dimensions shaping buyer decisions, while qualitative insights contextualized generational expectations. The findings reveal a pronounced transition from necessity-driven housing choices in 1982 largely influenced by economic stability, government provision, and social cohesion to preference-oriented and psychologically driven decisions in 2024. Contemporary buyers demonstrate stronger emphasis on perceived behavioral control, self-efficacy, autonomy, aesthetic quality, convenience, social influence, and perceived investment value. These shifts mirror wider changes in income structures, urban lifestyles, market dynamics, and cultural perceptions of housing as both a consumption and investment good. While the study is limited to two government housing schemes and relies on cross-sectional, self-reported data, it offers critical insights into evolving middle-income housing behavior. By synthesizing empirical findings, the study proposes a forward-looking "2035 Horizon" roadmap to support national-level policymakers and urban planners in transitioning from purely affordability-focused housing provision towards resilient, lifestyle-oriented, and psychologically responsive urban housing ecosystems. The study contributes original value by bridging behavioral economics, housing studies, and urban planning within a longitudinal generational comparison, offering practical policy relevance for future government housing strategies in Sri Lanka.

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1. INTRODUCTION

Housing is a fundamental human need, providing shelter, security, and a cornerstone of economic and social stability, while also serving as a critical component of national economic activity, contributing approximately 10-20% of GDP and often representing the largest household asset (European Commission, 2005). Despite its significance, global housing shortages remain severe, with around 1.6 billion people lacking adequate shelter a figure projected to rise to nearly 3 billion by 2030. Rising land, labour, and construction costs further exacerbate the gap between supply and demand, particularly in urban areas where nearly 80% of housing options are unaffordable for most residents.

In the Sri Lankan context, rapid urbanization, population growth in metropolitan regions, and escalating land and construction costs have intensified housing affordability challenges, particularly for middle-income households. Urban and suburban areas such as Colombo and its peripheries, including emerging residential zones, increasingly reflect patterns of constrained supply, rising prices, and limited access to adequate condominium housing. Although several Sri Lankan studies have examined housing affordability, supply constraints, and income-related determinants, they have largely emphasized structural and economic factors, with limited attention given to evolving behavioral dimensions such as buyer perceptions, awareness, preferences, and decision-making processes. Consequently, existing research has not sufficiently captured recent behavioral shifts in housing demand influenced by changing lifestyles, urban living preferences, and market dynamics, highlighting a critical knowledge gap that this study seeks to address.

The Evolving Landscape of Sri Lankan Housing

The housing landscape in Sri Lanka is at a historic crossroads. For over four decades, the aspiration of the middle-income earner was defined by the "Horizontal Model" - a single-story house on a plot of land, typically facilitated by state-led suburbanization programs like the 1982 "Hundred Thousand Houses Program". During this Era, housing was viewed through the lens of social welfare and basic shelter. However, as of 2024, the reality has shifted; land scarcity in the Colombo-Gampaha-Kalutara Corridor, coupled with an unprecedented and exponential escalation in property values since 2010, has forced a radical evolution in buyer psychology. The middle-income bracket is no longer looking for mere "shelter"; they are seeking "lifestyle ecosystems" that offer vertical efficiency, modern amenities, and investment security.

Behavioral factors encompassing Psychological, Social, Cultural, Personal, and Economic influences play a crucial role in shaping housing purchase decisions, particularly for middle-income households. In Sri Lanka, rapid urbanization and the expansion of Colombo's suburban areas, such as Homagama, have intensified housing demand. Middle-income buyers face complex decisions, balancing affordability, lifestyle preferences, risk perceptions, and investment potential.

New housing developments typically attract buyers seeking modern amenities, convenient locations, and long-term investment opportunities, whereas older housing units appeal to those prioritizing affordability, neighborhood stability, and community cohesion. These patterns underscore the evolving influence of behavioral factors on housing choices over time. Existing research on housing in Sri Lanka has largely focused on economic determinants, such as affordability,

financing accessibility, and market trends, leaving psychological, social, and risk-related influences underexplored (Grum & Kobal Grum, 2015); (Kalantari & Shepley, 2021). This knowledge gap limits developers, policymakers, and financial institutions from fully understanding the motivations and constraints of middle-income homebuyers.

This study addresses this gap by examining the key behavioral factors influencing housing purchase decisions among middle-income buyers in Colombo suburban areas, with a comparative focus on government housing developments built between 1982 (Mattegoda National Housing Scheme) and 2024 (Viyathpura Housing Project). The research explores differences in behavioral factors and buyer expectations across older and contemporary housing developments, providing insights into evolving priorities, such as affordability, neighborhood stability, lifestyle quality, and investment potential. The objectives of this study are to identify the key behavioral factors affecting housing purchase decisions, compare these factors across housing developments of different periods, and analyze differences in buyer expectations.

By investigating these dynamics, the research contributes to the academic understanding of consumer behavior in the housing market and offers practical guidance for housing developers, urban planners, and policymakers seeking to design sustainable, responsive, and inclusive housing strategies. Ethical considerations, including informed consent, confidentiality, data security, and transparency, guide the study to ensure participant protection and research integrity. The study employs a mixed-method research approach was employed using a structured questionnaire survey administered to residents of both housing schemes, generating 111 responses.

Data were analysed using Descriptive Analysis, Principal Component Analysis, and Correlation Analysis to assess the influence of Economic, Social, Psychological, Physical, and Perceived Behavioural Control factors. Overall, this research provides a comprehensive overview of behavioral dynamics shaping middle-income housing decisions in Colombo's suburban areas, highlighting implications for housing policy, urban development, and market practices in the context of Sri Lanka's rapidly evolving residential landscape.

2. LITERATURE REVIEW

2.1. Housing

Housing is a fundamental human necessity that provides shelter, comfort, security, and support for personal well-being. It also functions as an economic commodity influencing household income, consumption patterns, and future expectations (Smith, 1776; Niriellage, 2011). Earlier perspectives emphasized housing's physical form and construction costs (Grimes & Orville, 1976), while contemporary definitions describe it as regulated living structures (Webster's Dictionary; Business Dictionary; Macmillan Dictionary). Beyond physical needs, housing supports biosocial life and social development (Melnikas, 1998).

2.2. Middle-Income Housing Purchasing Decisions

Middle-income consumers play a crucial role in economic development and exhibit increasing demand for quality housing and other essential goods (Arunathilake & Omar, 2013). Housing purchase decisions are influenced by a combination of financial, psychological, social, and cultural factors. Social class, defined by income, education, and occupation, affects affordability and buyer behavior (Michelson, 1976). Significant models, such as AIDA, describe the stages of buyer readiness: awareness, interest, desire, and action (Strong, 1925). Key determinants of housing choice include location, design, built-up area, neighborhood environment,

developer reputation, security, and amenities (Abdullah & Jumadi, 2012), with additional influences from family, aesthetics, and environmental quality (Ge & Hokao, 2005); (Levy & Lee, 2002); (Opoku & Abdul-Muhmin, 2009). Despite prior research, limited studies explore how behavioral factors differ between older and contemporary housing developments, particularly in suburban Sri Lanka, highlighting a critical gap for investigation.

2.3. Behavioural Factors

Economic Factors

Economic fluctuations influence housing demand and buyer expectations, though market dynamics are shaped not only by financial crises but also by psychological expectations and speculative financial instruments (Grum & Kobal Grum, 2015; Shiller, 2006; Kušar, 2012). Buyer satisfaction depends on how well housing outcomes meet expectations (Oliver & DeSarbo, 1988). Evidence from rapidly developing markets highlights the role of economic growth and regional disparities in shaping demand (Dong et al., 2024). In Sri Lanka, rising prices, urbanization, and limited land constrain middle-income affordability (Liew & Haron, 2013; Niriellage, 2011). Housing functions as both a consumer good and investment asset influenced by income, preferences, interest rates, and mortgage access, while also stimulating broader economic growth (McDonald, 2012; Dunuwila & Devapriya, 2022; Rathnayaka et al., 2020).

Social Factors

Lifestyle, encompassing individuals' activities, interests, and values, plays a key role in shaping personality and significantly influences housing decisions (Grum & Kobal Grum, 2015). Consumers tend to select housing that aligns with their needs, self-image, and social roles (O'Shaughnessy, 1995; Kotler, 1996). Residential satisfaction depends on how well housing meets expectations in terms of unit quality, neighbourhood standards, environmental conditions, and service availability (Mohit & Raja, 2014a; Steinhardt et al., 2018; Walisinghe & Wickramaarachchi, 2021). Neighbourhood characteristics such as schools, parks, commercial centres, and community cohesion further shape satisfaction and social behaviour (Perry, 1929; Galster, 2001; Baffoe, 2019; Subhashini & Wickramaarachchi, 2022). Socio-demographic factors including age, income, household type, life-cycle stage, and social class also influence housing preferences (Abdullah & Jumadi, 2012; Hassan et al., 2021). Life events such as marriage, childbirth, employment changes, and relocation often trigger housing transitions (Mulder & Hooimeijer, 1999; Tanaka & Yuzawa, 2010; Clark, 2013). In contemporary high-rise living, residents increasingly prioritize convenience, security, and urban lifestyles over traditional social ties, reflecting evolving behavioural patterns in housing decision-making (Tanaka, 1991; Otani et al., 2009; Tokunaga et al., 2019).

Physical Factors

Physical attributes of housing, including unit size, layout, number of bedrooms and bathrooms, kitchen and laundry dimensions, safety, privacy, and ventilation, significantly influence residential satisfaction (Walisinghe & Wickramaarachchi, 2021); (Ibem & Aduwo, 2013). Studies indicate that modern buyers also consider design quality, construction standards, and community facilities such as parking, gardens, and accessibility to services (Mohit & Azim, 2012); (Hassan et al., 2021); (Lovejoy et al., 2010). Maintenance practices and availability of public services, including water, electricity, schools, and playgrounds, further impact satisfaction (Somiah et al., 2017); (Chathurani & Ariyawansa, 2017). Research from Sri Lanka and other contexts highlights those deficiencies in design, construction, and infrastructure

reduce residents' well-being and overall satisfaction with their homes.

Psychological Factors

Behavioural factors influencing housing purchasing decisions are closely intertwined with psychological dimensions, as buyers' decisions are strongly shaped by emotions, motivations, values, and perceptions. Numerous studies highlight that housing choices are not purely rational or economic but are deeply embedded in psychological responses and emotional attachments. Householders often develop strong positive emotions toward their homes, sometimes forming deep emotional bonds that influence decision-making (Christie et al., 2008). Both emotional and cognitive psychological factors play a critical role in housing decisions, affecting buyers and sellers alike (Grum & Kobal Grum, 2015; Marsh & Gibb, 2011; Whittle et al., 2014). Moreover, decision-making is context-dependent, as environmental and situational conditions shape psychological responses and preferences (Levy & Glimcher, 2012). Psychological influences on housing decisions are commonly expressed through personality, motivation, emotions, and values. Consumer behaviour research widely recognizes personality as a relatively stable psychological characteristic that differentiates individuals in terms of behaviour, attitudes, and preferences (Musek, 2010). Once formed, personality traits remain largely stable throughout adulthood, making them resistant to change (Grum & Kobal Grum, 2015). Early consumer research sought to predict purchasing behaviour through personality traits and explored whether persuasive techniques could influence such traits to stimulate purchases (Author & Evans, 1959).

However, later studies suggest that motivational and emotional factors exert a more dynamic influence on behaviour, as they are more responsive to environmental stimuli and social contexts (Grum & Kobal Grum, 2015). Consequently, contemporary consumer behaviour research places greater emphasis on motivation and emotions rather than fixed personality traits.

Motivation is a fundamental psychological process that initiates, directs, and sustains goal-oriented behaviour (Grum & Kobal Grum, 2015). It influences the direction, intensity, and persistence of purchasing decisions (Petri & Govern, 2004). Maslow's hierarchy of needs remains a key framework in understanding housing motivation, positioning homeownership within social affiliation and esteem needs, while also contributing to safety and self-actualization motives (Maslow, 1970; van Raaij & Wandwossen, 1978; Yalch & Brunel, 1996). Housing therefore serves not only functional needs but also psychological aspirations related to identity, status, and personal fulfilment. Emotions further shape housing decisions by reflecting individuals' evaluations of objects, places, and situations that hold personal value (Kobal Grum & Senicar, 2012). Emotions help individuals adapt to their environment, motivate action, and regulate social interactions (Musek, 2005). Since the 1980s, emotional processes have become central to consumer behaviour research, highlighting their role in shaping attitudes, preferences, and purchase intentions (Grum & Kobal Grum, 2015). Housing is also closely linked to psychological wellbeing. Research consistently demonstrates that housing quality, affordability, tenure security, and location significantly affect mental health and overall wellbeing (Bentley et al., 2011; Bentley et al., 2022a; Pollack et al., 2010a). Residential stability contributes to psychological security, enabling individuals to invest in social relationships and future planning (Bentley et al., 2022b). Ownership is often associated with higher wellbeing compared to renting or housing insecurity

(Smith et al., 2017). Finally, the endowment effect plays an indirect yet influential role in housing decisions. Strong emotional attachment to existing homes increases resistance to relocation, as homeowners often demand compensation exceeding market value to relinquish their properties (Bao, 2024; Kahneman et al., 1990).

This effect, closely linked to place attachment, has been shown to influence mobility decisions and property value perceptions (Clark & Lisowski, 2017; Camões & Vale, 2018). Additionally, subjective norms and environmental influences further shape housing decisions, reinforcing the role of social expectations, policy contexts, and perceived social approval in property purchasing behaviour (Kenn et al., 2021; Dunuwila & Devapriya, 2022).

Personal Factors

In housing purchase decisions, personal factors such as consumer motives, lifestyle, and access to information play a critical role. Motivation arises when consumers perceive a gap between their current and desired state, driving the desire to acquire products or services, including housing, to satisfy physical and psychological needs (Chang et al., 2015). Needs can be functional, symbolic, or experiential, guiding market segmentation to target middle-income buyers (Park et al., 1986). Consumers rely on both internal sources, like prior knowledge and experience, and external sources, such as marketing information, to make informed decisions (Richardson et al., 2004); (Stafford & Stafford, 2004). Lifestyle reflects values, personality, and cultural influences, helping marketers understand preferences and enhance purchasing intentions (Lazer, 1963); (Chang et al., 2015). Housing price, market conditions, investor sentiment, and product characteristics including size, design, and location further influence purchasing intentions, particularly for first-time buyers seeking optimal affordability, convenience, and security (Abdullah et al., 2012); (Hassan et al., 2021); (Dong et al., 2024).

2.4. Theories related to the Behavioural Factors

The study presents several theories. The Research is anchored in three primary theoretical frameworks:

1. Theory of Planned Behaviour (TPB): Analyses Attitude, Subjective Norms, and Perceived Behavioural Control.
2. Abraham Maslow's Hierarchy of Needs Theory: Tracks the shift from physiological safety (1982) to self-actualization/status (2024).
3. Perceived Value Theory: Evaluates the trade-off between Cost and Quality.

"Digital Information Seeking" behaviour, reflecting the 2024 buyer's reliance on social media and web portals compared to the word-of-mouth reliance in 1982.

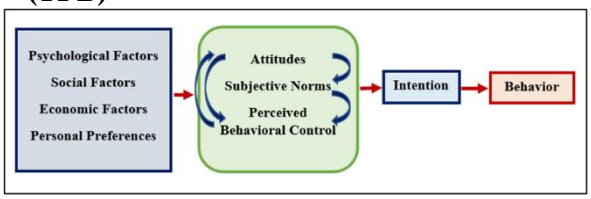
Theory of Planned Behaviour (TPB)

The Theory of Planned Behavior (TPB), developed by Ajzen (1991) (Figure 1), posits that human behaviour is determined by attitudes, subjective norms, and perceived behavioral control (PBC). In the real estate context, this framework provides a robust explanation of housing purchase decisions by integrating economic considerations with personal and psychological factors (Yanz & Ming, 2024). Theory of Planned Behaviour (TPB) is particularly valuable in explaining why individuals form specific purchase intentions rather than merely what choices they make.

Attitude refers to a consumer's positive or negative evaluation of purchasing property, shaped by beliefs about expected outcomes such as investment security, lifestyle improvement, and long-term financial stability (Ajzen, 1991). Subjective norms reflect perceived social pressure from family, peers, or broader society to engage in property ownership,

especially in cultural contexts where homeownership is traditionally viewed as a social milestone (Ajzen, 1991b). However, contemporary housing markets increasingly exhibit a shift in which buyers place greater emphasis on personal control, flexibility, and self-determined decision-making, reducing the relative influence of social norms. This theoretical insight is further explored in the Discussion Chapter to explain the growing prioritization of buyer autonomy over traditional social expectations in modern housing purchase behaviour.

Figure 1:Theory of Planned Behavior (TPB)



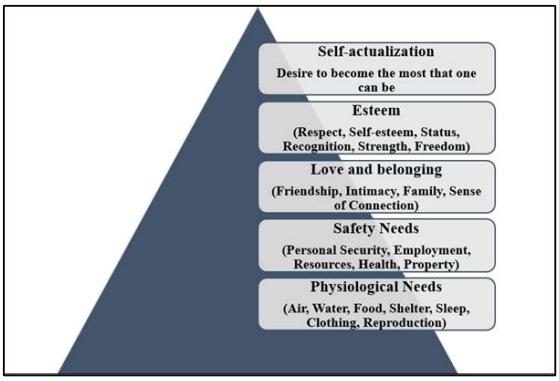
Source: Fishbein & Ajzen, (2010)

Perceived Behavioral Control (PBC) indicates the perceived ease or difficulty of purchasing a home, influenced by financial resources, skills, and past experiences (Ajzen, 2002). TPB provides a robust framework for understanding the interplay of personal preferences, psychological factors, and economic conditions in housing decisions. Preferences, including location, property type, and amenities, align with lifestyle and family needs, while psychological influences such as perceived security, emotional attachment, and fear of missing out shape purchasing intentions (Phipps, 2001); (Karlsson et al., 2005). Applying TPB to real estate enables marketers, policymakers, and stakeholders to design strategies aligned with buyers' behavioural intentions and social context (Hossain & Paul, 2021).

Abraham Maslow's Hierarchy of Needs Theory

Maslow's hierarchy of needs (1943) (Figure 2) posits that human needs are arranged from basic physiological requirements to self-actualization, with lower-level needs prioritized before higher-level ones. Culture shapes living environments by influencing values, aspirations, norms, and meanings, which guide housing preferences (Rapoport, 2000); (Jusan, 2010). Place attachment enhances psychological well-being and personal identity (Tuan, 2007); (Oliver, 2006a), while individualization trends may reduce community attachment (Utekhin, 2007). Housing transcends physical structures, encompassing intimacy, memories, and personal values, aligning with Maslow's framework for understanding human motivations in residential contexts (Zavei & Jusan, 2012).

Figure 2:Abraham Maslow's Hierarchy of Needs Theory



Source: Abraham Maslow, (1943)

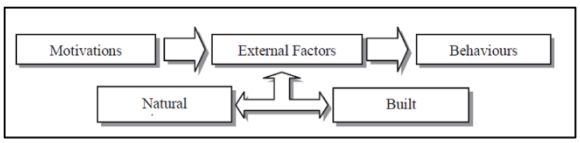
Culture plays a vital role in shaping living environments through residents' needs, values, aspirations, norms, and meanings, which influence housing design preferences (Rapoport, 2000). An appropriate living environment emerges when user preferences and opportunities for personalization are accommodated (Jusan, 2010). Place attachment contributes to psychological well-being and personal identity formation (Tuan, 2007; Oliver, 2006a), although increasing individualization may weaken community bonds (Utekhin, 2007).

Residential spaces can be understood as shelter, house, and home, with "home"

encompassing emotional dimensions such as intimacy, memories, and imagination (Bachelard, 1994). Studies using means end theory and Maslow's hierarchy further link housing attributes to user values and aspirations (Coolen & Hoekstra, 2001; Jusan, 2010).

According to Maslow (1970), culture represents an expression of human motivation in response to external influences imposed by the natural and built environments, and satisfying basic needs is essential for developing and actualizing an individual's potential within society (Figure 3). His theory of human motivation explains people's different levels of needs without their superficial differences, using a concrete and tangible approach, and a specific classification. This theory focuses on the origins of human needs by highlighting a pervasive and universal definition of these motivations (Zavei & Jusan, 2012).

Figure 3:External fields as a transition between Motivations and Behavior



Source: Maslow, (1970)

Perceived Value Theory

Perceived Value Theory explains consumer purchase decisions as a trade-off between perceived benefits and perceived costs. Perceived value represents a consumer's overall assessment of a product's utility based on what is received versus what is sacrificed (Zeithaml, 1988); (Monroe, 1990). This concept has been widely applied across disciplines such as marketing, quality management, and design to understand customer needs and guide product development (Griffin & Hauser, 1996); (Koskela, 2000). Customer value reflects preferences for product attributes, their performance, and the outcomes that support goal achievement within specific contexts (Woodruff, 1997). Satisfaction is closely linked to perceived value, as positive value experiences foster long-term loyalty (Kotler & Levy, 1969).

Maslow's hierarchy of needs further supports this framework by linking consumer value perceptions to the fulfilment of fundamental and higher-order human needs, aligning individual motivations with environmental and product attributes.

Behavioral Economics and Preference Theory

Behavioral Economics and Preference Theory integrates economics and psychology to explain how consumers make decisions under real-world conditions. Unlike traditional economic theory, which assumes fully rational decision-making, behavioral economics recognizes bounded rationality, where consumers make satisfactory rather than optimal choices due to cognitive limitations and information constraints (An, 2024). Prospect theory further explains decision-making under risk through concepts such as loss aversion and reference dependence, while heuristic decision-making highlights the use of mental shortcuts that can lead to systematic biases. Emotions also play a critical role, influencing risk perception, preferences, and both short- and long-term consumer decisions.

2.5. General Perception: Urban vs. Rural Middle-Income Housing

Housing perceptions among middle-income households differ notably between urban and rural contexts due to variations in lifestyle, socioeconomic priorities, and cultural values. Urban housing is largely viewed as a lifestyle and investment asset, while rural housing is associated with security, heritage, and long-term family continuity. Table 1 compares these contexts by outlining differences in values, housing types, psychological drivers, and economic perspectives influencing housing choice behavior.

Table 1: General Perception: Urban vs. Rural Middle-Income Housing

Perception	Urban Middle-Income Housing	Rural Middle-Income Housing
Primary Value	Lifestyle & Convenience: Emphasis on proximity to schools, offices, and gyms. Housing is seen as a "lifestyle asset".	Security & Heritage: Emphasis on land ownership, family proximity, and permanent community roots. Housing is a "Shelter Asset".
Housing Type	Growing acceptance of high-rise apartments and "Micro-Apartments" due to time-saving and maintenance ease.	Strong preference for single-storey landed houses with garden space; apartment living is often viewed as "restrictive".
Psychological Driver	Autonomy & Status: Modern buyers prioritize aesthetic appeal, privacy, and perceived social standing in gated communities.	Social Cohesion: Value is placed on community interaction, "model village" dynamics, and religious/cultural proximity.
Economic View	Viewed as an investment vehicle (ROI) with high capital appreciation potential in the Western Province.	Viewed as a long-term legacy for the next generation; rarely traded or resold.

Source: Author, (2025)

2.6. Size vs. Price Variations

In urban centers like Colombo, while the average floor area for a middle-income unit has decreased by nearly 30% (moving from landed houses to apartments), the price per square foot has increased by over 400% since 2010. Conversely, in rural areas, housing quality (use of bricks, cement, and tiling) has improved drastically, with 97.9% of units now using durable wall materials.

2.7. Macro-Economic Context (1982-2024)

The economic environment in Sri Lanka has been the primary catalyst for behavioral change. Table 2 and Chart A below illustrates the dramatic shift from a land-rich, low-cost environment to a land-scarce, high- cost vertical market.

The "Sharp Escalation" in the Property Price Index moving from 100 in 2010 to 550 in 2024 is the most significant driver. It has effectively locked out many middle-income earners from the traditional land-plot market, making vertical living a necessity that buyers are now psychologically rebranding as a "lifestyle choice".

Table 2: Sri Lanka Urbanization Property prices and GDP 1982-2024: (Three-Line Comparison)

Year	Urbanization Rate (%)	Property Price Index (Est.)	GDP Growth Rate (%)
1982	18.10%	20	5.80%
1990	18.30%	35	6.20%
2000	18.50%	60	8.40%
2010	18.70%	100 (Base)	8.00%
2015	19.00%	180	5.00%

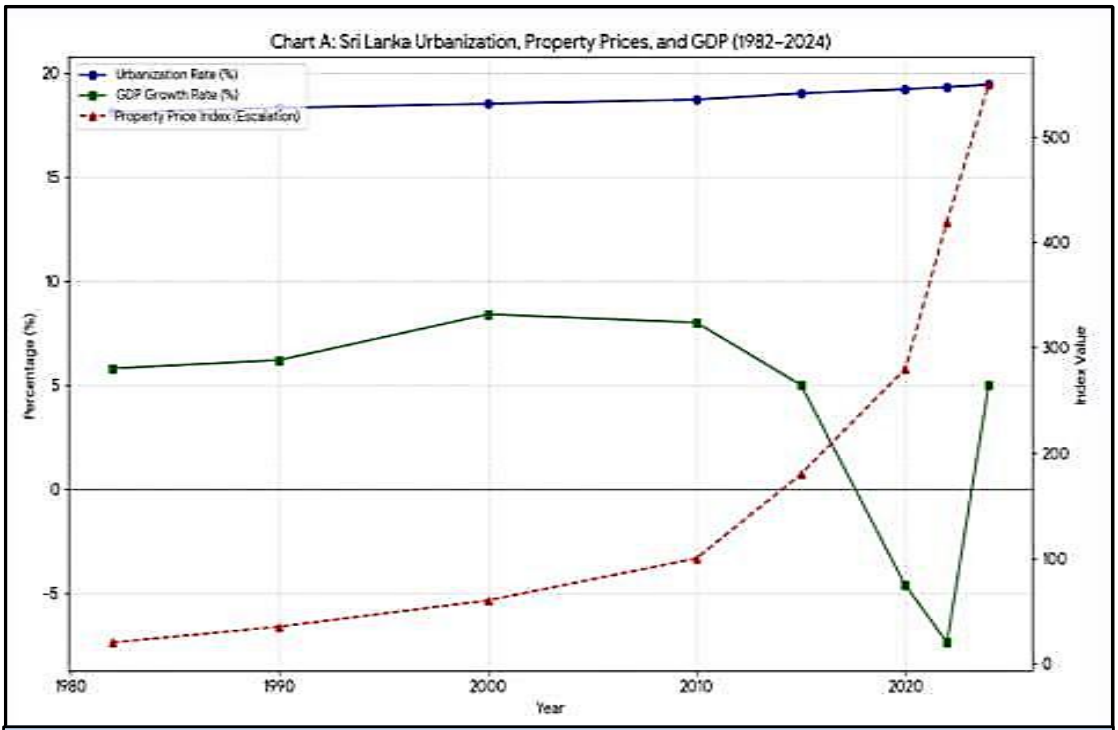
2020	19.20%	280	-4.6%
2022	19.30%	420	-7.35%
2024	19.42%	550	5.01%

Sources:

Urbanization: World Bank Open Data (SP.URB.TOTL.IN.ZS) & DCS Census 1981/2012/2024. GDP Growth: CBSL Annual Reports (1982-2024) & DCS National Accounts Estimates.

Property Index: Derived from the Colombo Stock Exchange (CSE) Land & Property Index and CBSL Condominium Market Surveys (2019 -2024).

Chart A: Sri Lanka Urbanization, Property prices and GDP 1982-2024: (Three-Line Comparison)



Line 1 (Blue): Urbanization Rate (Show steady climb toward 20%+, particularly in Colombo suburbs).

Line 2 (Red): Property Price Index (Showing the sharp escalation post-2010).

Line 3 (Green): GDP Growth Rate (Showing the 4.3% average with the 2022 dip and 2024 recovery).

Sources:

Urbanization: World Bank Open Data (SP.URB.TOTL.IN.ZS) & DCS Census 1981/2012/2024. GDP Growth: CBSL Annual Reports (1982-2024) & DCS National Accounts Estimates.

Property Index: Derived from the Colombo Stock Exchange (CSE) Land & Property Index and CBSL Condominium Market Surveys (2019 -2024).

Table 3 and Chart B illustrate the long-term expansion of middle-income housing in Sri Lanka between 1981 and 2024. The total number of occupied housing units has nearly doubled over four decades, increasing from approximately 3.4 million units in 1981 to an estimated 6.76 million units in 2024. This growth reflects sustained urbanization, population increase, and state- and market-led housing development initiatives, while also indicating rising pressure on land availability, affordability, and infrastructure provision in urban and peri-urban areas.

Table 3: Middle-Income Housing Statistics 1981 to 2024

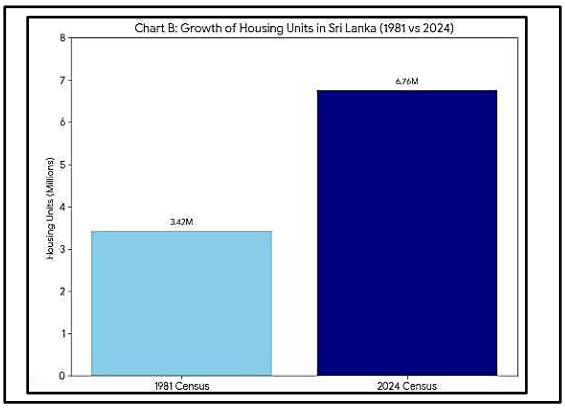
Middle-Income Housing Statistics 1981 to 2024		
Census Period	**Total Occupied Housing Units**	**Observation**
1981 Census	3,423,486 Units	Initial expansion of middle-income townships.
2024 Census	6,760,000 Units (Est. Final)	Reflects nearly doubling of units over 40 years.

Sources:

Department of Census and Statistics (DCS) - Press Release: Census of Population and Housing 2024.

NHDA Historical Archives (1981-1985 development phase data).

Chart B: Middle-Income Housing Statistics



Sources:

Department of Census and Statistics (DCS) - Press Release: Census of Population and Housing 2024. NHDA Historical Archives (1981-1985 development phase data).

2.8. Behavioral Factor Scores (0-10 Scale)

The qualitative scores presented in Table 4 were derived from the Principal Component Analysis (PCA) conducted in this study and were further validated through comparison with existing urban sociological studies on Sri Lanka's middle-income population. Table 4 highlights a pronounced shift in middle-income housing behavior between 1982 and 2024. Traditional drivers such as economic stability, social cohesion, and government support have declined in relative importance, while psychological factors, autonomy, and aesthetic appeal have gained prominence. This transition reflects a movement from necessity-driven housing choices toward lifestyle-oriented and self-directed decision-making among contemporary middle-income households.

Table 4: Behavioral Factor Scores (0-10 Scale)

Behavioral Factor Scores (0-10 Scale)		
Factor	**1982 Profile (Score)**	**2024 Profile (Score)**
Economic Stability	9	4
Social Cohesion	8	4
Governme nt Support	9	3
Psychologi cal Factors	3	9
Autonomy	4	8
Aesthetic Appeal	3	9

Sources:

Primary Source: "From Necessity to Lifestyle: A Comparative Analysis of Evolving Generational Behavior and Housing Purchase Determinants in Sri Lanka (1982-2024)" (Provided Article).

Secondary Source: UDA Development Plans 2024-2034 (Sociological Impact Assessments).

2.9. Case Study Area Selection Criteria and Market Evolution

a. Mattegoda National Housing Scheme (1982): Mandated by the NHDA, this was a "residential-led master plan" designed to transform underdeveloped suburban areas into thriving townships with 1,200 units and common infrastructure. Selection was primarily based on alleviating the housing shortage for emerging middle-income earners during the new open economy.

b. Viyathpura Housing Project (2024): Launched by the UDA, this project targets government and professional sectors. Prices range from LKR 15.7 million to over 20 million, emphasizing amenities like swimming pools, gyms, and 24-hour security reflecting a shift toward "investment opportunities" and lifestyle.

3. METHODOLOGY

This study employed a mixed-methods research design, integrating qualitative and quantitative approaches to examine behavioural factors influencing housing purchase decisions among middle-income buyers in Colombo's suburban areas. Qualitative data were obtained through an extensive literature review and direct field observations to identify key behavioural dimensions. Quantitative data were collected using a structured questionnaire comprising Likert-scale, multiple-choice, and close-ended items, developed based on established behavioural and housing decision theories. The questionnaire addressed Social Factors (Social Status & Community, Family and Lifestyle, Social Influence and Peer Pressure, Future Living, Physical and Environmental Factors, Personal and Lifestyle Factors), Economic Factors, Psychological Factors (Motivation and Goals, Perception and Attitude, Learning and Beliefs, Social Influence), and Perceived Behavioural Control (Perceived Difficulty, Self-Efficacy, Attitudes, and Subjective Norms). The survey was administered to 111 respondents selected through stratified sampling from two government housing developments: Mattegoda National Housing Scheme (1982, n = 78) and Viyathpura Middle-Income Housing Project (2024, n = 33). Data were analyzed using Principal Component Analysis (PCA) to identify the principal behavioural factors and correlation analysis to examine relationships and variations in buyer expectations, all conducted using SPSS

software.

4. RESULTS AND DISCUSSION

Principal Component Analysis (PCA)

Principal Component Analysis (PCA) was employed to reduce the dimensionality of the dataset and identify the most significant factors influencing housing purchase decisions among middle-income buyers. By transforming correlated variables into a smaller set of uncorrelated components, Principal Component Analysis (PCA) (Table 5) allowed for a clearer understanding of the underlying structure of Social, Economic, Psychological, and Perceived Behavioural Control factors. This approach enabled the comparison of behavioural determinants across the two generations of government housing developments, highlighting shifts in buyer priorities over time.

Correlation Analysis

Correlation Analysis (Table 6) was conducted to examine the relationships among the key behavioral factors identified through Principal Component Analysis. This method enabled the study to assess how Social, Economic, Psychological, and Perceived Behavioral Control factors interact and influence each other in the context of housing purchase decisions. By comparing correlation patterns between the 1982 and 2024 housing developments, the analysis provides insights into evolving decision-making processes and highlights shifts in the relative importance of different behavioral determinants over time. Overall, the combined use of Principal Component Analysis and Correlation Analysis provides a comprehensive understanding of the behavioral factors shaping middle-income housing decisions.

Table 5: Results of the Principal Component Analysis (PCA)

Dimension	Mattegoda National Housing Scheme (1982)	Viyathpura Housing Project (2024)	Overall Behavioural Shift (1982 → 2024)
Sample Size (N)	78 Respondents	33 Respondents	
Social Factors	9 Components - Highly multidimensional; strong emphasis on community, social cohesion, environmental reliability, and long-term stability.	5 Components - More consolidated; strong influence from peers, media, lifestyle expectations, and future planning.	Movement from community-centric thinking to lifestyle-driven, peer-influenced, aspirational attitudes.
Highest Mean Variable	Environmental Conditions & Surroundings (M=4.71)	Neighborhood Safety & Environmental Conditions (M≈4.45)	Safety, environment, and live ability remain key across generations.

Economic Factors	3 Components - Financial security, repayment stability, government support, long-term investment confidence.	3 Components - Credit accessibility, investment value, market awareness, and financial planning.	Shift from government-supported stability to market-driven investment and financing strategy.
Highest Mean Variable	Affordable Housing Price (M=4.35)	Affordable Housing Price (M=4.30)	Affordability remains primary economic driver.
Psychological Factors	5 Components - Comfort, security, fulfilment, social identity, community belonging, and investment beliefs.	5 Components - Investment-security, social influence, aesthetics & lifestyle, emotional fulfillment, information-driven decisions.	Transition from community-based psychological needs to investment, lifestyle, and information-search behaviour.
Highest Mean Variable	Investment Potential (M=4.64)	Enhancing Family Well-Being (M=4.45)	Older buyers focused on investment gain; modern buyers focus on family quality of life.
Perceived Behavioural Control (PBC)	8 Components - Strong self-efficacy, decision autonomy, task competence, financial responsibility, and social pressure awareness.	5 Components - Confidence, autonomy, social approval, legal/administrative skills, behavioural readiness.	Modern buyers exhibit greater complexity, balancing autonomy with social and financial pressures.
Highest Mean Variable	Perceived Investment Value (M=4.77)	Perceived Investment Value (M=4.52)	Investment value remains psychologically central across both periods.
KMO Adequacy	Social: 0.597 / Economic: 0.724 / Psychological: 0.689 / PBC: 0.650	Social: 0.601 / Economic: 0.690 / Psychological: 0.572 / PBC: 0.610	Modern buyers show more complex but still adequate factor structures.

Source: Author, (2025)

Table 06: Results of the Correlation Analysis

Behavioural Factors	Factor Category	Key Variables	Mattegoda National Housing Scheme (1982)	Viyathpura Housing Project (2024)	Interpretation
Social Factors	Social Status & Community	Importance of Social Status, Community Engagement, Neighborhood Prestige	Strong positive correlations (r = 0.411 - 0.544, p < 0.001)	Weak/insignificant correlations (r = -0.077 - 0.260, p > 0.05)	1982: strong interdependence; 2024: more individualistic.
	Social Influence & Peer Pressure	Influence of Family/Friends, Social Pressure, Role of Professionals, Social Media	Moderate to strong positive correlations (r = 0.400 - 0.583, p < 0.001)	Weak and mostly insignificant correlations (r = -0.114 - 0.088, p > 0.05)	1982: decisions guided by peers & professionals; 2024: less social reliance.
	Physical & Environmental	Unit Design, Accessibility, Quality, Surroundings	Moderate positive correlations (r = 0.465 - 0.576, p < 0.001)	Weak and insignificant correlations (r = -0.022 - 0.246, p > 0.05)	1982: integrated planning matters; 2024: individual preferences dominate.
	Future Living	Long-term planning, Social Isolation, Neighborhood Growth, Investment	Moderate positive correlations (r = 0.369, p < 0.001)	Weak and insignificant correlations (r = 0.073, p = 0.687)	Shift from community foresight to short-term/individual focus.

	Family & Lifestyle	Family Amenities, Lifestyle Compatibility, Safety, Personal Identity	Moderate to strong positive correlations (r = 0.532 - 0.642, p < 0.001)	Weak to negative correlations (r = (-0.356) - (-0.024), p > 0.05)	1982: family & lifestyle interconnected; 2024: independent lifestyle priorities.
	Personal & Lifestyle	Lifestyle Compatibility, Life-cycle Stage, Modern Design, Long-term Suitability	Strong positive correlation (r = 0.638, p < 0.001)	Weak to moderate correlation (r = 0.284, p = 0.109)	Modern design less linked to long-term suitability in 2024.
Economic Factors	Economic Factors	Affordability, Mortgage, Resale, Price Trends, Job Security	Moderate to strong positive correlations (r = 0.373 - 0.771, p < 0.001)	Weak and mostly insignificant correlations (r = -0.145 - 0.402, p > 0.05)	1982: economic factors strongly interdependent; 2024: fragmented, short-term focus.
Psychological Factors	Social Influence	Family/Friends Influence, Neighborhood Preference, Social Status	Moderate to strong positive correlations (r = 0.398 - 0.711, p < 0.001)	Weak and mostly insignificant correlations (r = -0.065 - 0.307, p > 0.05)	1982: cohesive social influence; 2024: individualistic choices.
	Perception & Attitude	Design, Comfort, Neighborhood, Investmen	Moderate to strong positive correlation	Weak to moderate correlations	1982: perceptions interlinked; 2024: factors

		t, Suitability	s (r = 0.402 - 0.805, p < 0.001)	(r = 0.125 - 0.435, p mostly > 0.05)	considered independently.
	Motivation & Goals	Family Well-being, Accomplishment, Social Status, Security	Moderate to strong positive correlations (r = 0.401 - 0.807, p < 0.001)	Weak and mostly insignificant correlations (r = -0.071 - 0.178, p > 0.05)	Shift from motivation-driven to self-focused decision-making.
	Learning & Beliefs	Information Search, Influence of Others, Investment Beliefs, Confidence	Moderate positive correlations (r = 0.440 - 0.515, p < 0.001)	Weak correlations (r = 0.116 - 0.153, p > 0.05)	1982: belief & learning interlinked; 2024: independent, rationalized decisions.
Perceived Behavioural Control	Perceived Behavioural Control	Control, Decision Power, Autonomy, Action Ability	Moderate to strong positive correlations (r = 0.384 - 0.820, p < 0.001)	Weak and mostly insignificant correlations (r = -0.265 - 0.159, p > 0.05)	Reduced perceived control and self-efficacy in 2024.
Attitudes	Attitudes	Investment Value, Positive Attitude, Confidence, Excitement	Moderate to strong positive correlations (r = 0.364 - 0.737, p < 0.001)	Weak to moderate correlations (r = 0.116 - 0.557, p > 0.05)	1982: cohesive attitudes; 2024: cautious and less emotionally engaged.
Subjective Norms	Subjective Norms	Family/Friend Approval,	Moderate to strong positive	Weak correlation	Decline in social influence and peer dependence

		Social Pressure, Expectations	correlations (r = 0.418 - 0.729, p < 0.001)	s (r = 0.056 - 0.195, p > 0.05)	in 2024.
Self-Efficacy	Self-Efficacy	Confidence, Financing, Negotiation, Competence	Moderate to strong positive correlations (r = 0.489 - 0.690, p < 0.001)	Weak and mostly insignificant correlations (r = -0.071 - 0.243, p > 0.05)	Modern buyers rely more on institutional support than personal competence.
Perceived Difficulty	Perceived Difficulty	Complexity, Confidence, Navigation, Capability	Moderate to strong positive correlations (r = 0.376 - 0.810, p < 0.001)	Weak correlations (r = 0.114 - 0.339, p > 0.05)	1982: complex process managed by skill; 2024: reliance on external support.

Source: Author, (2025)

Colombo and Suburban Area Middle-Income Housing Trajectory Forecast: 2026-2035

The Projected Housing Deficit: By 2035, Sri Lanka is projected to face a deficit of 185,000 units. To meet this, the urbanization rate must be managed through density rather than sprawl. The Evolution: From "Pioneer" to the modern buyer who does not just look for a "home", but treats the purchase as a complex financial asset. They calculate ROI (Return on Investment), interest rates, and future resale value as their primary priority.

In 1982 - The Shelter-Seeker: Motivated by survival, neighborhood safety, and government stability.

In 2024 - The Pioneer: Motivated by vertical living, urban lifestyle, and aesthetic individualization.

In 2035 - Buyers will be defined by their ability to navigate "Financial Engineering". They will view housing primarily as a liquid asset and will demand high-speed digital connectivity as a standard utility.

Overview of the 2026 - 2035 Horizon

To transition the research from a historical comparative analysis (1982 vs. 2024) into a forward-looking policy tool, this section projects housing dynamics for the next decade. The forecast utilizes a "Stable

Recovery" benchmark of 5% annual GDP growth.

Table 07: 2024 - 2035 Urban Middle-Income Housing Forecast (Colombo & Suburbs)

Year	Urban Housing Units (M)	Avg. Unit Price (LKR M)	Projected Unit Size (Sq. Ft.)	Price per Sq. Ft. (LKR)	Urbanization Rate (%)	Projected Urban Deficit
2024	1.31	18.5	950	19,474	19.42%	350,000
2026	1.39	22.39	915	24,470	20.12%	320,000
2028	1.47	27.09	880	30,784	20.82%	290,000
2030	1.56	32.77	845	38,781	21.52%	260,000
2032	1.66	39.66	810	48,963	22.22%	230,000
2035	1.81	52.78	760	69,447	23.27%	185,000

Sources: Several primary authoritative sources and primary research (Household questionnaire Survey (2024) by the Authors, Department of Census and Statistics (DCS) Sri Lanka1981, 2012, and 2024, Central Bank of Sri Lanka (CBSL) Annual Reports spanning 1982-2024, and National Housing Development Authority (NHDA) Colombo Stock Exchange (CSE) Land & Property Index and CBSL Condominium Market Surveys conducted between 2019 and 2024.

Strategic Analysis and Behavioral Implications

The forecast reveals three critical "tipping points" that align with the identified shift from necessity-driven to lifestyle-driven decisions.

- The Pricing Variation (The LKR 50M Milestone): By 2035 (Table 7), the average middle-income suburban unit is projected to reach LKR 52.78 million. This creates an "Affordability Gap" that will redefine housing from a social right to a high-entry financial investment.
- The 20% Urbanization Threshold (2026): Sri Lanka is projected to cross the 20% urbanization mark in 2026. This psychological and economic milestone will force a redesign of suburban centers like Kottawa, Malabe, and Pannipitiya to accommodate demands for high-speed transit and digital connectivity.
- Vertical Living Transition: The "Mattegoda National Housing Scheme Model" of single-story houses on land plots will become obsolete in the Colombo-Gampaha-Kalutara corridor. The 2035 stock will be dominated by high-density vertical living (Viyathpura Housing Project Model).
- Synthesis: From "Pioneer" to "Financial Engineer".

Integrating the Principal Component Analysis (PCA) findings, the behavioral drivers will evolve as follows:

- 2024 Baseline: The current buyer is a "Pioneer" in vertical living, prioritizing Autonomy and Aesthetic Appeal.
- 2035 Evolution: While aesthetics will become a standard minimum requirement, "Financial Engineering" (the ability to navigate complex market-driven financing) will become

the dominant behavioral factor shaping the market.

Policy options to mitigate the projected housing deficit by 2035 Horizon Consideration of the following options are very well justifiable to mitigate the projected housing deficit of 185,000 units by 2035 (Table 7), the following interventions are recommended:

- Modernizing Finance: Facilitate "Build-to-Rent" legislation and flexible mortgage products with subsidized rates for first-time buyers to counter the "Perceived Difficulty" of the LKR 50M price tag.
- Urban Zoning for Connectivity: Shift focus from "shelter" to "connected hubs" by integrating housing with high-speed transport and digital infrastructure.
- Modular Design: Encourage developers to offer customizable, modular layouts that acknowledge the high priority modern buyers place on Personal Autonomy.

5. FINDINGS AND DISCUSSION

The study highlights a generational shift in middle-income housing purchase decisions in Colombo's suburban areas between 1982 and 2024. Principal Component Analysis (PCA) shows that economic, social, psychological, and perceived behavioral control factors significantly influence buyer decisions. In 1982, Mattegoda National Housing Scheme buyers prioritized stability, community cohesion, emotional attachment, and practical considerations such as affordability, job security, and government support, with psychological factors reflecting comfort, design, and neighborhood perception. The Endowment Effect reinforced their preference for familiar environments, while limited access to housing information meant that buyers relied on social networks, government guidance, and local reputation when making decisions. By contrast, 2024 buyers at the Viyathpura Housing Project exhibit more individualistic, lifestyle- and investment-oriented decisions. This shift is strongly influenced by digital media and market conditions. Online platforms, social media, and digital marketing provide real-time access to property information, price comparisons, and peer reviews, enabling buyers to make independent, well-informed decisions. Market trends, changing financing options, and property investment opportunities have further encouraged aspirational and strategically planned choices. Modern buyers demonstrate greater autonomy, self-efficacy, information-seeking, and attention to aesthetics and future planning. While affordability, safety, environmental quality, and investment potential remain important, social influence and emotional attachment have a diminished role. Correlation analysis supports these observations.

Contemporary buyers' decisions are strongly linked to perceived behavioral control ($r = 0.68$), self-efficacy ($r = 0.61$), and attitudes shaped by social norms ($r = 0.57$), whereas 1982 buyers were more influenced by economic factors and perceived difficulty. Overall, the study demonstrates a clear evolution from necessity- and stability-driven choices to preference- and lifestyle-driven housing decisions.

Digital media and market accessibility have amplified information transparency and buyer autonomy, highlighting the increasing importance of behavioral and psychological factors in modern middle-income housing markets. The study confirms an evolution from collective necessity to individualistic aspiration in Colombo's suburban housing decisions. In 1982, Mattegoda National Housing Scheme buyers viewed housing as a "once-in-a-lifetime" security asset provided by the state, emphasizing stability, community, and practicality. By 2024, Viyathpura Housing Project buyers treat housing as an "investment-lifestyle" hybrid, reflecting personal aspirations, market opportunities, and lifestyle preferences. This shift

highlights the growing influence of autonomy, aesthetics, and financial flexibility, with implications for developers and policymakers seeking to meet modern buyer expectations.

Recommendations for Policy Makers

To align with the shifting dynamics identified in this research, policymakers should modernize housing finance and legislation to meet the needs of contemporary middle-income buyers. Flexible mortgage products should account for the modern buyer's focus on investment Return on Investment (ROI), while legislation can fast-track the development of "resilient urban ecosystems" that satisfy their demand for autonomy, aesthetics, and long-term investment value. Credit accessibility schemes, as well as "Build-to-Rent" or "Lease-to-Buy" (Rent-to-Buy/Shared Ownership) initiatives, should be facilitated, along with subsidized rates for first-time buyers, to address the high LKR 32M-50M price range projected between 2026 and 2035. Additionally, diversified mortgage products with flexible repayment plans should be promoted to mitigate the "Perceived Difficulty" identified in the PCA results. Finally, enhanced digital transparency and accessible information are essential, reflecting contemporary buyers' strong information-seeking behavior and market-driven decision-making.

6. CONCLUSION

This study, incorporating the proposals highlighted in the review comments, concludes that the middle-income housing market in Colombo has undergone a radical behavioural transformation. The traditional "Social-Security" housing model of the 1980s is no longer sufficient to address contemporary buyer expectations. Future housing developments must therefore prioritize individual autonomy, investment security, and modern aesthetics to remain both commercially and socially viable. Accordingly, this study demonstrates that middle-income purchasing behavior has shifted from collective, necessity-driven decisions toward individualized, aspirational, and investment-oriented choices, shaped by evolving market conditions, digital access to information, and changing socio-economic and cultural contexts in Colombo's suburban housing landscape.

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