

INVESTIGATING GENERATION Z PREFERENCES IN CHOOSING THEIR FIRST HOME: OPTIMIZING RENT-TO-OWN HOUSING STRATEGIES FOR BANK BTN AND PROPERTY DEVELOPERS

Marvina Mariska Marillyn Indrainna¹, Lien Herlina, Fithriyyah Shalihati

^{*)} School of Business, IPB University
Jl. Raya Padjajaran, 16151, Bogor, Indonesia

Article history:

Received
15 April 2025

Revised
23 July 2025

Accepted
29 November 2025

Available online
31 December 2025

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ABSTRACT

Background: Generation Z represents a significant emerging segment in the housing market. However, many younger individuals face barriers to homeownership due to affordability challenges and limited alignment between available housing products and their preferences. This issue is highlighted by the underperformance of the Rent-to-Own (RTO) Home Loan scheme launched by PT Bank Tabungan Negara (Persero) Tbk, which attracted only three customers out of a target of one thousand.

Purpose: This study aims to examine the housing preferences of Generation Z in selecting their first home and to provide strategic insights for aligning housing products with their needs.

Design/methodology/approach: The study employed a quantitative approach using conjoint analysis on primary data collected through structured questionnaires. Purposive sampling was applied to target Generation Z individuals aged 21–27 in the Jabodetabek area who had not yet owned a home. Conjoint analysis was selected because it enables the measurement of trade-offs across multiple housing attributes, allowing researchers to quantify the relative importance of financing methods, price ranges, locations, and housing types in shaping first-home preferences.

Finding/Result: The results indicate that Generation Z prioritizes cash payment methods, affordable house prices ranging from IDR 185–250 million, urban locations, landed housing types, and house sizes of approximately 45 m². These insights provide actionable guidance for PT Bank BTN and property developers, particularly in designing Rent-to-Own (RTO) schemes with flexible payment structures and offering affordable, compact landed houses in accessible urban areas to better align with Generation Z's financial capacity and lifestyle preferences.

Conclusion: These preferences reflect the need for more tailored housing finance schemes and property offerings that realistically match Generation Z's financial capacity and lifestyle expectations. The findings suggest that PT Bank BTN can enhance homeownership accessibility by introducing more flexible Rent-to-Own (RTO) structures, simplifying financing requirements, and offering clearer long-term cost transparency. Developers can also respond by producing affordable compact landed houses within strategic urban corridors that remain connected to key transportation networks. By aligning financing and product design with these insights, stakeholders can create more attainable pathways to homeownership for Generation Z.

Originality/value (State of the art): This study contributes new insights into Generation Z's housing decisions in Indonesia using a structured analytical approach. Its relevance is heightened by Indonesia's ongoing housing affordability challenges and the underperformance of existing schemes such as Rent-to-Own (RTO). By identifying the specific preferences and financial constraints of Generation Z an emerging yet underserved homebuyer segment this study offers evidence-based guidance for developing more responsive housing finance models and product designs that align with current market needs.

Keywords: conjoint analysis, generation z, home mortgage, housing preferences, rent-to-own

How to Cite:

Mariska Marillyn Indrainna, M., Herlina, L., & Shalihati, F. (2025). Investigating Generation Z preferences in choosing their first home: Optimizing rent-to-own housing strategies for Bank BTN and property developers. *Business Review and Case Studies*, 6(3), 445. <https://doi.org/10.17358/brcs.6.3.445>

¹ Corresponding author:
Email: marvinavika@gmail.com

INTRODUCTION

The Indonesian housing market is grappling with a critical challenge in addressing an alarming housing backlog of 12.7 million households, with 2.9 million concentrated in the Jabodetabek region (Capstone Project Bank BTN, 2023). This substantial deficit highlights a stark disparity between the accelerating demand for housing and limited supply in a nation undergoing rapid urbanization. Indonesia's broad macroeconomic conditions further intensify this challenge. Sluggish income growth, often trailing behind inflation, has weakened young households' real purchasing power for young households (World Bank, 2023). Bank Indonesia's adjustments to policy interest rates to maintain macroeconomic stability have led to increased mortgage borrowing costs, directly affecting affordability for first-time buyers (Bank Indonesia, 2024). Additionally, rising construction material prices driven by global commodity volatility have significantly increased development costs, contributing to higher selling prices for homes (OECD, 2023). These macroeconomic pressures create a persistent structural affordability gap, particularly affecting younger generations with limited income mobility and savings capacity (IMF, 2022).

This issue is further exacerbated by increasing property prices, stagnant income growth, and limited land availability, making it particularly difficult for the younger generations to achieve homeownership (Abidoeye et al. 2021). The rising prices of residential properties are reflected in the Residential Property Price Index (RPPI), which shows a 1.89% growth in the first quarter of 2024, up from 1.74% in the fourth quarter of 2023. Among the population, Generation Z, comprising 27.94% of Indonesia's citizens, has emerged as a pivotal demographic in the housing market (BPS 2020). However, this group faces significant challenges with affordability issues and limited purchasing power, which are major obstacles to owning a home. These financial constraints make it difficult for them to meet the high housing costs, including down payments and monthly installments, which are often beyond their economic reach. As a result, many of these demographics are unable to access suitable housing options, further widening the demand-supply gap in the market (Capstone Project Bank BTN, 2023). Recent studies show that Generation Z tends to prefer vertical housing options in megapolitan areas, such as Jabodetabek, a reflection of both their dynamic

lifestyle and the financial limitations that prevent them from accessing landed homes (Fadillah & Adiando, 2024).

To address these pressing challenges, PT Bank Tabungan Negara (BTN) introduced the Rent-to-Own (RTO) Home Loan scheme in 2022. The initiative was designed as an innovative financial product to improve housing affordability and accessibility. The RTO scheme offers a flexible lease-to-buy option specifically targeted at Generation Z, which often struggles to meet the stringent requirements of conventional mortgage systems. However, despite its potential, the program has underperformed, enrolling only three customers out of a target of 1,000 customers in its first year. This underwhelming performance highlights a clear disconnect between product design and the needs or expectations of the target audience. The limited uptake suggests that the scheme's features and benefits do not adequately address critical challenges, such as affordability, accessibility, and flexibility. This misalignment underscores the necessity of tailoring financial solutions to the specific preferences and financial capacities of the target demographics to increase adoption and program success. Supporting this, recent findings suggest that family values and financial assistance from parents continue to play a significant role in Generation Z's transition to homeownership, which reinforces the need for more flexible and accessible financing options (Jannah & Adiando, 2024).

Previous studies on housing preferences have predominantly focused on general factors, such as pricing, location, and housing type (Raza et al. 2023; Abidoeye et al. 2021). Research has also highlighted the rising demand for eco-friendly and technology-integrated housing options (Malta et al. 2018; Ismail & Shaari, 2020). In Indonesia, the supply of housing has not kept pace with the country's population growth, further intensifying the housing backlog (Susenas, 2020). Beyond affordability challenges, the preference for eco-friendly and smart housing has increased significantly among the younger generations globally (Konieczna, 2024). Generation Z values sustainability, energy efficiency, and integrated smart home technologies that align with their digital lifestyles (Napiórkowska-Baryła et al. 2024). Studies show that even for lower-income buyers, green features, such as solar-ready electrical wiring, low-energy appliances, and smart water-saving systems, can be incorporated

into affordable housing through modular design and low-cost IoT solutions (Chatterjee & Khare, 2022). For dense urban areas such as Jabodetabek, integrating these features not only enhances long-term cost efficiency, but also aligns with the environmental consciousness of younger residents (Zhang & Wang, 2023).

Urban land scarcity has led to significant increases in property prices, rendering homeownership unattainable for many, especially among the younger generations. This shortage of affordable housing options has contributed to a growing preference for rental housing, postponing or entirely preventing long-term ownership goals (Abidoye et al. 2021). However, there is a notable lack of studies exploring housing preferences of specific age-based demographics, especially Generation Z, in the Indonesian context. This research gap presents an important opportunity to explore the distinct preferences of a generation known for digital fluency, sustainability consciousness, and evolving lifestyle priorities. Generation Z's housing decisions are often shaped by their comfort with technology, awareness of environmental concerns, and desire for convenience and flexibility (Malta et al. 2018). Furthermore, the lack of digital-first marketing strategies that resonate with Gen Z's media consumption habits may also contribute to their limited engagement with housing programs, underscoring the need for financial institutions to adopt more personalized and socially driven digital campaigns (Pardede & Qastharin, 2024).

This study aims to address this research gap by investigating the housing preferences of Generation Z in Jabodetabek, Indonesia's primary economic and urban center. Using conjoint analysis, this study examines key decision-making factors such as payment method, pricing, location, housing type, and unit size. This study seeks to quantify the relative importance of these factors, offering insights into the trade-offs Generation Z is willing to make when purchasing their first home. The research objectives are threefold: to identify the demographic, economic, and behavioral characteristics of Generation Z in Jabodetabek; to analyze their housing preferences; and to provide strategic recommendations to PT Bank Tabungan Negara (BTN) and property developers. These recommendations aim to improve the alignment between housing products and the financial capacities of this generation, thereby enhancing access to homeownership and fostering sustainable growth in Indonesia's housing sector. By addressing a critical knowledge gap at the intersection

of generational behavior and housing strategy in a developing-country context, this study also contributes valuable insights for innovation in housing finance and policy design tailored to younger populations.

METHODS

This study employed a mixed-methods approach to analyze Generation Z's housing preferences in Jabodetabek by combining primary and secondary data. Primary data were collected through structured online questionnaires using conjoint analysis to evaluate key housing attributes including financing methods, price ranges, locations, housing types, and sizes. Complementing this, interviews with PT Bank Tabungan Negara (BTN) provided institutional perspectives. Secondary data from academic journals, official statistics, and industry reports offer a robust theoretical and contextual foundation to support these findings. Supporting studies have highlighted the importance of this approach. Ismail and Shaari (2020) identified location and neighborhood as critical housing factors among generational cohorts in Malaysia (Ismail & Shaari, 2020). Jacobs et al. (2015) underline the importance of sustainable housing, which aligns with Generation Z's environmental awareness (Jacobs et al. 2015). This methodological integration ensured a comprehensive understanding of Generation Z's preferences, aiding the development of targeted housing solutions. In this study, secondary data, such as national housing statistics, macroeconomic indicators, and prior empirical studies on generational housing behavior, were systematically incorporated to strengthen the interpretation of primary data obtained from the conjoint survey. These secondary sources provided contextual benchmarks for affordability levels, housing supply constraints, and generational lifestyle trends, enabling a deeper understanding of why respondents prioritized certain attributes (e.g., financing method or unit size). Secondary data also served to validate and triangulate the patterns observed in the primary responses, ensuring that the findings align with broader demographic and market realities (World Bank, 2023; Konieczna, 2024).

Stimuli combinations were generated using the IBM SPSS software with a full-profile conjoint design. This approach ensured that each combination realistically represented housing options, covering all relevant attributes for respondent evaluations.

In this study, the attribute set was intentionally limited to five core decision-making factors: financing method, price, location category, housing type, and unit size, based on prior literature, indicating that these are the most influential attributes for first-home purchase decisions among young buyers (Abidoeye et al. 2021; Konieczna, 2024). While additional contextual elements, such as proximity to amenities, access to public transportation, and school district quality, are recognized as relevant in housing valuation, these factors were not included in the stimuli to maintain orthogonality, avoid respondent fatigue, and ensure statistical efficiency in utility estimation. The location attribute (urban vs. suburban) served as a proxy for broader contextual features typically associated with accessibility and amenity availability.

Future studies may incorporate richer contextual attributes to capture a more comprehensive representation of Gen Z's decision framework. However, in this study, the streamlined design allowed for a clearer interpretation of trade-offs among the most critical housing attributes. The stimulus combinations used in this study are summarized in Table 1, which includes all attribute levels applied in the conjoint analysis.

The target population consisted of Generation Z individuals aged 21–27 living in Jabodetabek who had

not yet owned a home but were actively seeking their first residence. This study utilized a non-probability sampling approach, in which not all members of the population had an equal chance of being included in the sample (Priyono, 2008). Purposive sampling was used to select respondents based on predetermined inclusion criteria that were relevant to the research objectives (Radjab and Jam'an, 2017). Slovin's formula, with a 10% margin of error, determined a minimum sample size of 100 respondents to ensure statistical representativeness and feasibility. The total Generation Z population in Jabodetabek was estimated at 6.84 million (Viana et al. 2021), from which the sample was drawn. Slovin's formula was selected because the exact characteristics and variance of the target population were not fully known, making it appropriate for determining sample size in large, heterogeneous populations where detailed population parameters are unavailable (Umar, 2019). Additionally, the study employed purposive sampling based on specific inclusion criteria, such as age range and intention to purchase a first home, which makes quota sampling less suitable. Quota sampling requires predetermined category proportions (e.g., gender balance and district distribution), which are not the primary focus of this study. Instead, the research emphasized behavioral and preference-based criteria, making Slovin-supported purposive sampling a more aligned and methodologically coherent choice (Etikan, 2016).

Table 1. Stimuli combinations for housing preferences analysis

Financial Methods	Price	Location	Housing Types	Size
KPR Syariah	251-300 million	Suburban	Landed House	21 m ²
KPR Syariah	>350 million	Urban	Low-rise	45 m ²
Cash	251-300 million	Urban	High-rise	21 m ²
KPR Conventional	185-250 million	Suburban	Low-rise	21 m ²
Cash	185-250 million	Urban	Low-rise	36 m ²
Cash	>350 million	Suburban	Landed House	36 m ²
Cash	>350 million	Suburban	Landed House	21 m ²
Cash	301-350 million	Suburban	Low-rise	21 m ²
Cash	301-350 million	Suburban	High-rise	45 m ²
KPR Syariah	301-350 million	Urban	Landed House	21 m ²
KPR Conventional	301-350 million	Urban	Landed House	36 m ²
KPR Conventional	>350 million	Urban	High-rise	21 m ²
KPR Syariah	185-250 million	Suburban	High-rise	36 m ²
Cash	185-250 million	Urban	Landed House	45 m ²
Cash	185-250 million	Urban	Landed House	21 m ²
KPR Conventional	251-300 million	Suburban	Landed House	45 m ²

The data analysis in this study employed a combination of descriptive and conjoint methods to provide a comprehensive understanding of respondents' preferences and characteristics. According to Sugiyono (2014), descriptive analysis effectively provides a factual depiction of research objects, allowing the presentation of systematic and precise data. The descriptive analysis in this study focused on summarizing the demographic, economic, and behavioral profiles of the respondents, offering insights into their financial capacity and housing aspirations. Conjoint analysis, as explained by Santoso (2014), is a quantitative method that identifies consumer preferences by evaluating perceptions of objects composed of multiple attributes. This method calculated the utility values of each attribute and their relative importance, revealing that respondents were willing to make trade-offs when selecting their first home. This method utilizes IBM SPSS software to generate orthogonal design stimuli, ensuring statistical validity and robustness. By combining these methods, this study provides comprehensive insights into the housing preferences of Generation Z, serving as a basis for strategic recommendations for PT Bank Tabungan Negara (BTN) and property developers.

To illustrate the logical flow of this study, the conceptual framework in Figure 1 outlines the connection between the underlying housing challenges faced by Generation Z and the research approach employed. This study is grounded in the urgency of improving housing accessibility for Generation Z, which faces major barriers such as limited supply, rising property prices, and financial constraints. In response, Bank BTN introduced the Rent-to-Own (RTO) scheme, although its implementation has been largely ineffective. Additionally, the framework highlights a critical research gap: despite the growing importance of Generation Z as an emerging homebuyer segment, very few studies in Indonesia have specifically examined their housing preferences using structured analytical approaches, such as conjoint analysis. The existing literature primarily focuses on general housing factors or broader demographic groups, leaving a lack of empirical evidence tailored to Generation Z's behavioral patterns, financial constraints, and lifestyle-driven priorities. This gap underscores the need for a targeted investigation that combines demographic profiling and preference modeling.

To address this gap, this study explores the demographic and economic characteristics of Generation Z in Jabodetabek and analyzes their housing preferences using descriptive and conjoint analyses. By directly integrating the identified research gap into the conceptual framework, the figure demonstrates how this study contributes new insights and fills an evidence-based void within the Indonesian housing research landscape. This framework visually links the research background, objectives, and methodology to provide a foundation for strategic recommendations that better align housing products and financing schemes with the needs of this generation.

RESULTS

Company Overview

PT Bank Tabungan Negara (Persero) Tbk (BTN) is a state-owned enterprise that plays a significant role in Indonesia's housing-finance sector. As the leading mortgage provider, BTN is committed to addressing the country's housing backlog through innovative financing solutions. One of its key initiatives, the rent-to-own (RTO) Home Loan, launched in 2022, is designed to cater to younger demographics, particularly Generation Z, by offering flexible lease-to-buy schemes. However, the program has faced adoption challenges, achieving only three customers out of the 1,000 targeted customers in its first year. Several internal and external assessments have indicated that this underperformance is driven by multiple factors. First, BTN's initial marketing efforts for the RTO scheme were limited and lacked targeted digital outreach, reducing awareness among Generation Z, a segment that predominantly relies on social media and online channels for information discovery. Second, there was a noticeable misalignment between the scheme's features and young buyers' expectations, particularly regarding perceived affordability, contract flexibility, and clarity of ownership transition. Finally, early feedback from potential applicants highlighted that the application and verification process was perceived as complex and administratively burdensome compared with conventional mortgage products, discouraging younger consumers who expect seamless and user-friendly digital experiences. These issues collectively contributed to the low adoption of RTO products during the launch year.

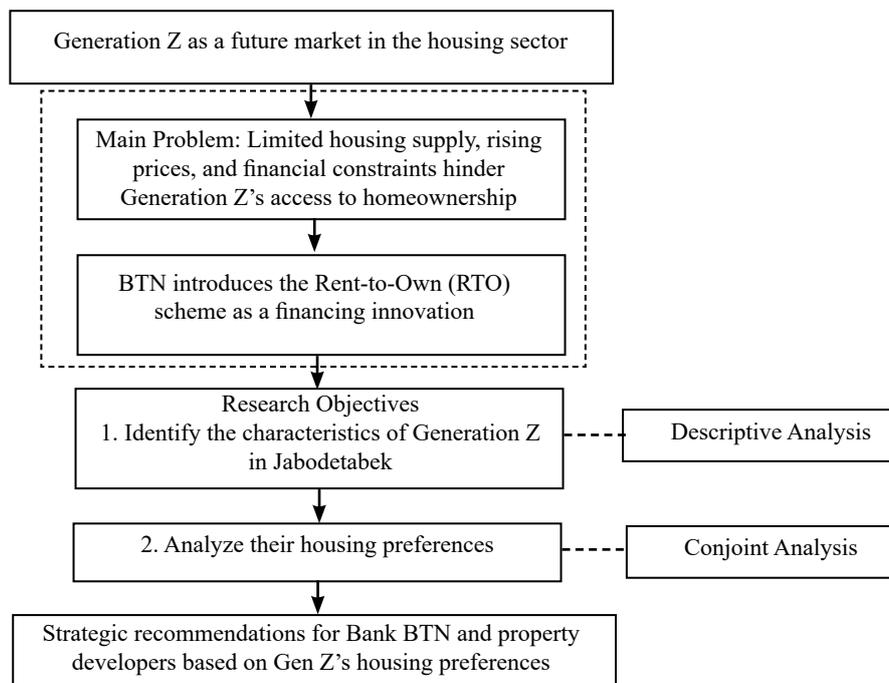


Figure 1. Research framework on generation z housing preferences and RTO scheme

BTN operations are primarily focused on urban and peri-urban areas such as Jabodetabek, where housing demand is the highest. Through partnerships with the government and private developers, the BTN aims to enhance housing accessibility while supporting development goals. A company's strategies highlight the importance of aligning financial products with market needs to ensure wider adoption and long-term success.

BTN's financial performance further reflects its role as a mortgage-focused institution. As of 2023, the bank recorded a Net Interest Margin (NIM) of approximately 4.4%, positioning BTN among the higher-margin banks in the state-owned segment because of its strong mortgage portfolio. The Loan-to-Deposit Ratio (LDR) was approximately 109–113%, indicating an aggressive lending posture aligned with its mandate to expand housing credit. Meanwhile, BTN BOPO (Operating Expenses to Operating Income) remained relatively high at 88–92%, reflecting operational pressures associated with legacy costs and the bank's heavy focus on subsidized housing programs. Despite this, the BTN continued to demonstrate asset growth, with total loans increasing by more than 7% year on year, supported by government-backed housing initiatives. These financial indicators illustrate the strategic importance of optimizing new mortgage schemes, such as RTO, to improve both market penetration and long-term sustainability.

Analyzing Characteristics of Generation Z

This study, focusing on 100 respondents from Generation Z aged 21–27 years in the Jabodetabek area, provides a comprehensive analysis of housing preferences and financial capacities among key demographics for housing finance solutions. The balanced age distribution, with 55% aged 21–23 and 45% aged 24–27, highlights a group transitioning from higher education to early career stages, a crucial period for understanding long-term investment behaviors, such as homeownership. However, this transition is often constrained by the cost of the living realities in Jabodetabek. The average entry-level salaries for respondents in this study (IDR 3–8 million per month) fell short compared to typical urban living expenses. For context, the average rental price for a modest studio or 1-bedroom apartment in central Jabodetabek ranges between IDR 2 and 5 million per month, while monthly living costs, including food, transportation, utilities, and personal expenses, typically reach IDR 3–4 million for young professionals (Numbeo, 2024). These figures illustrate that a significant proportion of respondents would allocate over 60–80% of their income solely to cover basic living and rental costs, leaving a limited financial capacity to save on homeownership. This financial pressure reinforces the importance of affordable financing schemes tailored to Generation Z's constrained disposable income. This stage often reflects a growing awareness of financial independence

and a desire to establish stable living arrangements. These insights align with studies that emphasize the importance of engaging this demographic during early adulthood to shape housing finance solutions tailored to their needs (Raza et al. 2023).

The study also captures a proportional gender distribution (52% female and 48% male), further enriched by educational insights, showing that 70% were pursuing undergraduate degrees, while 30% had completed or were pursuing graduate studies. These findings suggest that the majority are in the early stages of financial independence and rely on entry-level salaries or external support from the family. This reliance underscores the critical need for affordable housing solutions, as suggested by previous research that highlights the role of financial flexibility in engaging younger buyers (Malta et al. 2018).

Economically, the study revealed that 55% of respondents earned between IDR 3 million and IDR 8 million per month, 35% earned less than IDR 3 million, and only 10% exceeded IDR 8 million. This distribution underscores significant financial limitations, particularly for mid-to low-income earners, thus reinforcing the demand for innovative housing finance solutions. Flexible payment schemes such as rent-to-owner (RTO) models have emerged as viable alternatives to traditional mortgage systems, which often remain inaccessible to this demographic (Abidoye et al. 2021). In addition, Generation Z is characterized by cautious financial behavior, a preference for flexibility, and a tendency to delay long-term commitments, including homeownership, until they feel financially secure. Studies show that Gen Z members are generally more risk-averse in making large financial decisions, highly influenced by digital information sources, and more likely to postpone home purchases due to fear of long-term debt burdens (Deloitte, 2021; Napiórkowska-Baryła et al. 2024). These behavioral traits help explain why accessible and low-barrier financing models are particularly important for this age group.

Geographically, the urban-centric nature of housing demand was evident with all respondents residing in Jabodetabek. The preference for urban locations stems from their proximity to workplaces, public transport, and essential services, such as healthcare and education. This aligns with prior findings that highlight the importance of accessibility and convenience in shaping

housing choices for younger buyers (Ismail and Shaari, 2020). Consequently, the development of housing projects in metropolitan areas is essential to meet these preferences effectively. This study not only reinforces the financial and locational priorities of Generation Z but also underscores the need for tailored housing policies and solutions to accommodate their unique socioeconomic circumstances. Another behavioral characteristic relevant to homeownership decisions is the significant influence of family support. Prior research shows that many young adults in Indonesia rely heavily on parental assistance for down payments, loan guarantees, or initial housing costs (Jannah & Adiando, 2024). This intergenerational support often determines whether Gen Z members can transition from renting to owning, making family involvement a critical factor in understanding their homeownership pathways.

Analyzing Generation Z Housing Preferences

To understand the trade-offs Generation Z was willing to make in their housing choices, a conjoint analysis was conducted to quantify the relative importance of each attribute. The findings revealed distinct levels of influence across financing, price, type, size, and location. A summary of these importance values is shown in Figure 2.

This study offers an in-depth understanding of the factors influencing Generation Z's decisions when considering their first homes, emphasizing the interplay between financial, cultural, and practical considerations. The findings reflect a nuanced prioritization of housing attributes, shedding light on the preferences of a generation that values both financial accessibility and alignment with their unique lifestyle needs. The analysis revealed that the financing method is the most decisive factor, accounting for 25.83% of the decision-making importance. This finding suggests that Generation Z places a strong emphasis on minimizing long-term financial commitments and is generally cautious toward conventional mortgage debt. As shown in global behavioral studies, Gen Z tends to be debt-averse, preferring financing schemes that offer flexibility, lower upfront risk, and clearer repayment structures (Deloitte, 2021; Napiórkowska-Baryła et al. 2024). Their heightened sensitivity to financing options reflects a desire to avoid complex or rigid loan products, and indicates that they closely evaluate the

affordability, transparency, and long-term burden of homeownership-related financial products. This aligns with broader trends showing that younger generations prioritize financial security and short-to medium-term stability over entering into high-liability contracts at an early stage of their careers. This highlights Generation Z's sensitivity to flexible payment options and affordability, as many in this cohort are in the early stages of financial independence, often balancing entry-level incomes with the costs of daily living. Models like Rent-to-Own (RTO) or government-subsidized housing loans are particularly appealing given the financial constraints faced by this group. Previous research confirms that Gen Z strongly favors ownership models with low initial capital requirements, as they offer a viable path to homeownership without requiring long-term financial commitments upfront (Napiórkowska-Baryła, 2024). Furthermore, the decision to rent or own is influenced not only by income level, but also by generational attitudes toward long-term financial planning (Huynh, 2024).

Housing prices (22.25%) emerged as the second most

influential attribute. This reflects the pressing need for affordability in an economic landscape where rising costs and wage stagnation limit young buyers' purchasing power. In line with this, Generation Z respondents expressed concerns over increasing housing costs and emphasized affordability as a primary criterion in selecting residential properties (Koniczna, 2024). Price considerations are crucial in urban areas such as Jabodetabek, where property values are high and competition for accessible housing is intense.

Housing type (21.72%) also played a significant role in underscoring preferences for adaptable, modern living spaces that suit the lifestyles of young professionals. Many respondents likely favored compact yet functional homes, such as apartments or minimalist houses, that cater to their urban-centric and environmentally conscious outlook. This aligns with the finding that younger buyers increasingly prefer vertical housing because of its affordability, maintenance efficiency, and proximity to city infrastructure (Fadillah, 2024). Additionally, co-living arrangements and other shared housing formats have also been identified as appealing to Generation Z, especially among those seeking flexibility and social engagement in urban environments (Sekardini, 2021).

Interestingly, housing size (19.67%) and location



Figure 2. Importance values of housing attributes

(10.52%) remained key components of decision-making. The relatively low importance placed on location (10.52%) is particularly interesting because location is typically one of the strongest determinants of home purchase decisions. This may indicate that Generation Z in Jabodetabek perceives location less critically because of increasing connectivity within the metropolitan area. Enhanced mobility options such as MRT, LRT, commuter lines, and app-based ride-hailing have reduced the perceived inconvenience of living farther from employment centers. Additionally, many Gen Z respondents prioritize affordability and flexible financing schemes over premium locations, making them more willing to compromise on location if their home remains financially attainable. This behavior aligns with recent findings that younger buyers are more price-sensitive and debt-averse, and thus more inclined to accept longer commutes in exchange for lower monthly financial burdens (Konieczna, 2024; Deloitte, 2021). Housing size reflects a balance between affordability and comfort, as larger homes may be desirable, but financially unattainable. A study on intergenerational housing decisions shows that younger adults often compromise in size to prioritize accessibility to ownership, particularly in high-cost regions (Jannah, 2024). Meanwhile, location, although relatively less critical, still matters for its impact on accessibility to workplaces, public transport, and essential amenities. This finding suggests that Generation Z is willing to compromise on location if housing prices and financing options align with their financial realities.

The utility estimates provide further insights into the specific preferences of Generation Z across different attribute levels, as presented in Table 2. The analysis shows a strong preference for cash payments with a positive utility value of 0.163, indicating the importance of simplicity and immediate ownership. Syariah KPR was moderately preferred (utility value: 0.092), reflecting an alignment with cultural and financial considerations. Conversely, conventional KPR was the least favored financing option, with a negative utility value of -0.255, likely because of its stringent requirements and long-term financial burden.

In terms of housing price, properties priced between IDR 185 and 250 million were the most desirable (utility value: 0.179), emphasizing affordability as a key consideration. Higher-priced properties (>IDR 350 million) received a negative utility score (-0.133),

underscoring financial constraints. Landed houses were the most preferred housing type (utility value: 0.146), reflecting cultural preferences for land ownership, while low-rise buildings were the least favored (-0.189). Similarly, larger homes of 45 m² were more desirable (utility value: 0.147) than smaller units of 21 m² (-0.231). Urban locations were slightly preferred over suburban areas; however, the overall location had the lowest relative importance. Utility estimates of attribute levels in Table 2.

The findings demonstrate that Generation Z places significant emphasis on financial considerations and affordability, reflecting its limited purchasing power and early career stages. The prioritization of cash payments and lower-priced properties underscores their cautious approach to long-term financial commitments. Cultural preferences for landed houses and larger homes highlight the need for housing solutions that align with both financial realities and lifestyle aspirations.

For housing developers and financial institutions like PT Bank Tabungan Negara (BTN), These insights suggest a clear pathway to address the preferences and constraints of this emerging market for housing developers and financial institutions, such as PT Bank Tabungan Negara. By focusing on affordable housing options priced below IDR 250 million and offering flexible financing schemes, they can better align their products with the priorities of Generation Z. Additionally, urban-centric housing developments that emphasize accessibility to workplaces and amenities should be prioritized to meet the convenience-driven preferences of this demographic.

The results of this study align with and expand on previous research on young buyers' housing decisions. The strong emphasis on financing methods and affordability is consistent with the findings of Abidoeye et al. (2021), who observed that younger consumers in emerging markets prioritize payment flexibility because of limited early career income stability. Similarly, Konieczna (2024) reported that post-pandemic economic uncertainty intensified Gen Z's price sensitivity and aversion to high-liability mortgage products, which parallels the preference in this study for lower-priced housing and simpler financing schemes. The cultural preference for landed houses found in this research is also supported by Fadillah and Adianto (2024), who noted that Indonesian youth still associate land ownership with long-term security, despite the

growing supply of vertical housing. Moreover, the lower weight assigned to location in this study reinforces the trends highlighted by Deloitte (2021), who found that mobility improvements and the rise of remote-friendly work reduce the primacy of location for younger demographics. Finally, the behavioral traits identified in this study, such as cautious decision-making, reliance on digital information, and concern about long-term debt, correspond with the broader generational patterns described in Napiórkowska-Baryła et al. (2024) and Huynh (2024), indicating that Gen Z across countries shares similar financial attitudes even in varied housing market contexts.

Managerial Implications

The findings on Generation Z’s housing preferences highlight the prioritization of key attributes when selecting a home. Financing methods have emerged as the most critical factor, with a strong preference for cash payments, reflecting their desire for financial security and simplicity. This is followed by housing prices, with properties priced between IDR 185 and 250 million being the most desirable, emphasizing affordability as a primary concern for this demographic. Generation Z also shows a cultural inclination toward landed houses despite the challenges of accessing such properties in urban settings. Housing size and location were also considered important, with preferences for

homes measuring 45 m² and urban locations offering easy access to transportation and amenities. These preferences underscore the need for solutions that balance affordability, flexibility and accessibility.

The implications for Rent-to-Own (RTO) products offered by PT Bank Tabungan Negara (BTN) are clear. The findings suggest that RTO schemes must focus on providing affordable housing within the preferred price range, particularly in urban areas where Generation Z values proximity to essential facilities. Flexible financing schemes that reduce the burden of long-term debt and align with their preference for cash payments are crucial to increasing adoption. Comparable RTO-like programs can also be found in other financial institutions. In Indonesia, Bank Syariah Indonesia (BSI) offers a “KPR Syariah with diminishing musharaka” model, which mirrors RTO principles, where ownership gradually shifts to the buyer. Internationally, banks in Malaysia and Singapore provide rent-to-own schemes under government-partnered housing programs such as Malaysia’s PR1MA RTO and Singapore’s HDB “Flexi Scheme,” which give younger buyers flexible entry points with lower upfront costs. These examples demonstrate that RTO models are globally recognized as effective solutions for affordability barriers and provide reference points for BTN to strengthen their own programs.

The BTN could also explore hybrid payment models

Table 2. Utility estimates of attribute levels

Attribute	Attribute Level	Utility Estimate	Std. error
Financing Method	Cash	0.163	0.046
	KPR Conventional	-0.255	0.053
	KPR Syariah	0.092	0.053
Housing Price (IDR)	185-250 million	0.179	0.059
	251-300 million	0.022	0.059
	301-350 million	-0.068	0.059
	>350 million	-0.133	0.059
Housing Type	Landed House	0.146	0.046
	Low-rise	-0.189	0.053
	High-rise	0.043	0.053
Housing Size	21 m ²	-0.231	0.046
	36 m ²	0.084	0.053
	45 m ²	0.147	0.053
Housing Location	Urban	0.104	0.034
	Suburban	-0.104	0.034

such as step-up payments, income-based installment structures, balloon payments, and micro-mortgage schemes that reduce early stage financial pressure. These models resonate strongly with Generation Z, who generally prefer manageable, low-risk monthly commitments, and clearer long-term financial visibility. In addition, integrating modern features such as smart home technology and modular designs can appeal to this tech-savvy generation, ensuring that housing solutions are both innovative and functional. The concept of “growing homes,” which allows for future expansion based on financial capacity and evolving needs, aligns well with the adaptable nature of Generation Z. This approach offers both flexibility and long-term utility, catering to their aspirations and financial realities (Raza et al. 2023).

To effectively cater to this market segment, BTN must adopt strategies that engage Generation Z through digital platforms and targeted marketing campaigns. Social media and interactive content can effectively communicate the benefits of RTO products, while building trust and credibility. BTN should incorporate Gen Z-oriented digital strategies, such as influencer partnerships, TikTok short-form explainers, interactive mortgage simulations, virtual home tours, gamified saving challenges, and Instagram/YouTube storytelling campaigns that highlight the real-life success stories of young homeowners. Personalized marketing using AI-based segmentation, such as interest-based targeting, behavior-triggered ads, and chat-based guidance on WhatsApp or Instagram DM, can increase engagement and conversion. Collaborative partnerships with developers are essential for ensuring the availability of housing options that align with Generation Z’s preferences. BTN can work closely with developers by co-creating Gen Z-focused housing clusters with transparent “all-in” pricing, capped margins to maintain affordability, and flexible design options, such as modular room expansions. BTN may also negotiate cost-sharing structures (e.g., developer subsidies for initial fees, shared risk agreements for unsold stock, or special bundling packages). Joint product development could include compact 36–45 m² units, energy-efficient smart homes, and co-living layouts optimized for young professionals. Developer partnerships can also support priority allocation for RTO buyers, pre-approved credit screening, and accelerated handovers to reduce friction. Financial literacy programs that utilize tools such as simulations and workshops can empower this demographic to make informed decisions

and enhance their confidence in RTO schemes (Malta et al. 2018). By focusing on these strategies, BTN can not only refine its RTO offerings but also position itself as a leading provider of innovative and responsive housing solutions for Generation Z while contributing to addressing Indonesia’s housing backlog.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

This study examined the characteristics and housing preferences of Generation Z in Jabodetabek, a pivotal demographic in the future of housing finance. Among the 100 respondents, 56% were female and 44% were male, with the majority residing in Bogor and Depok. The respondents were primarily students, employees, or entrepreneurs from middle to lower economic backgrounds whose financial constraints and spending habits strongly influenced their housing decisions and purchasing power.

The findings indicate that Generation Z prioritizes cash payments, affordable housing priced between IDR 185 and 300 million, and compact landed houses around 45 m² in urban locations. These preferences highlight their emphasis on affordability, accessibility, and adherence to cultural norms while also being shaped by technological exposure and social media influences. Their unique and specific expectations underscore the importance of designing housing solutions that align with their financial capabilities and modern lifestyle aspirations.

Based on these insights, targeted strategies have been proposed to address Generation Z’s needs. For BTN, the “Digital Engage and Build” strategy focuses on strengthening digital marketing efforts and fostering partnerships with developers. BTN can further tailor its digital marketing strategy by prioritizing the platforms most frequently used by Generation Z, such as TikTok, Instagram Reels, and YouTube Shorts. These platforms enable short, visually engaging content, which resonates with Gen Z’s fast-paced consumption habits. The BTN may incorporate video testimonials from young homeowners, interactive educational content explaining RTO benefits, influencer collaborations with finance and lifestyle creators, and virtual home tours to enhance awareness and trust. Personalized outreach using AI-driven targeting, chat-based guidance

on Instagram/WhatsApp, and micro-storytelling campaigns can also strengthen Gen Z's engagement. Meanwhile the "Experience Zone" initiative aims to enhance financial literacy among Generation Z to reduce debt risks. For property developers: The Experience Zone is envisioned as a hybrid learning ecosystem that combines an online platform with physical interactive spaces. The online portal may include mortgage simulations, budgeting tools, gamified learning modules, and reward-based progress tracking to build financial capabilities in an engaging manner. Meanwhile, physical Experience Zones at BTN branches, campuses, or community events can provide hands-on demonstrations, consultations with financial advisors, and immersive RTO simulations, helping Generation Z to visualize their homeownership journey more clearly. The "MetroLink" strategy emphasizes developing properties in strategic, highly accessible locations. Beyond workplace proximity, Generation Z also values access to public transportation networks (MRT, LRT, and commuter line), green open spaces, walkable environments, and community amenities such as co-working spaces, sports facilities, healthcare, and retail services. Expanding MetroLink to incorporate these lifestyle-oriented elements will help developers create housing clusters that better match Gen Z's expectations of comfort, convenience, and well-being. Last, the "Smart Living Blueprint" promotes innovative, flexible housing designs integrated with smart technology. These approaches position BTN and developers as key enablers in meeting the evolving demands of this demographic.

Recommendations

Based on the findings of this study, several recommendations were proposed to guide stakeholders and inform future research. The strategies outlined serve as a framework for developing Rent-to-Own (RTO) products and housing projects tailored to Generation Z, emphasizing affordable prices, flexible financing options, and urban accessibility. The BTN could enhance this framework by developing a financial planning tool or interactive calculator specifically designed for Generation Z. This tool allows users to compare the long-term financial implications of different mortgage options, rent-to-own schemes, monthly installment scenarios, and saving targets. By visualizing repayment timelines, total interest costs, and affordability projections, the tool simplifies decision making and empowers Generation Z to select

the financing option that best matches their income stability and long-term financial goals.

Housing developers should also consider integrating modern technologies, such as smart home features and energy-efficient designs, to appeal to the tech-savvy preferences of this demographic. Financial institutions can enhance engagement by leveraging digital platforms such as social media and interactive tools to simplify the process of accessing housing finance while educating Generation Z about the benefits of homeownership. Additionally, financial literacy programs tailored to this group should be implemented to empower them with the knowledge to manage their finances effectively and minimize debt risks. Collaborative efforts between developers, financial institutions, and policymakers, including subsidies or incentives for affordable housing projects, can further streamline the path to homeownership in this segment. These collaborations can be operationalized through joint product development agreements, where BTN and developers co-design Gen Z-oriented housing clusters with transparent pricing structures and flexible payment packages. Additionally, shared risk partnerships, such as cost-sharing for initial fees, subsidized down-payment programs, or joint promotional campaigns, can reduce barriers to entry. Policymakers can further support these initiatives through tax incentives, land use prioritization, and regulatory facilitation to accelerate affordable housing projects tailored to Generation Z.

Future research should extend beyond housing preferences to analyze Generation Z's financial behavior, including income patterns, spending habits, and savings potential, to better understand their purchasing power. Studies could also investigate external factors, such as economic trends, urbanization, and housing policies to identify broader influences on housing decisions. Future research should also examine variations in financial behavior within Generation Z, particularly across socioeconomic status, education levels, and geographic location. Exploring these demographic subgroups would reveal differences in income stability, saving capacity, debt attitudes, and housing aspirations, allowing housing providers to design targeted and inclusive strategies. Such segmentation-based analyses are crucial for understanding the heterogeneity within Generation Z and ensuring that housing policies are sensitive to differences among urban, peri-urban, and rural youth populations. Exploring the role of sustainability, including eco-friendly materials and

green certifications, can align housing solutions with Generation Z's growing environmental consciousness. Moreover, regional analyses are necessary to uncover variations in housing preferences and financial constraints across Indonesia to ensure that housing strategies are inclusive and address local needs. Longitudinal studies tracking how Generation Z's preferences and financial capacities evolve over time would provide valuable insights for designing future-ready housing solutions. By integrating these recommendations and research directions, stakeholders can better address Generation Z's needs while fostering sustainable growth in Indonesia's housing market.

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