

Chapter 1

Introduction

1.1 Background

1.1.1 The Current Situation of the Thai Condominium Industry

The real estate market is very important to any country. Not only does it impact life and work but also provides multiple indicators of the entire economy level. (Golob, Vasic and Igor, 2012)ⁱ The tourism, education and healthcare development in Thailand coupled with the gradual competition of integration of ASEAN in recent years have opened up a massive opportunity for the development of Thailand's real estate market. As the demand increases, the Thai government strengthens the construction of its public facilities to support the country's economic rapid development. This gives evidence that Thailand's real estate is booming. In addition, the Kasikorn Bank of Thailand reportsⁱⁱ as follows:

Thailand's residential property market continues to grow, though at a slower pace amid market slowdown and a slowly recovering economy. A newly launched unit in third quarter of 2015 was down to 40% from second quarter of 2015, and many launches have been delayed until the year 2016. Many foreigners are interested in buying a residential property in Thailand for investment, education, and retirement. Between the second quarter of 2014 and 2015, the Thailand Residential Purchasing Intent Index for Chinese increased by 180 percent. Also, the average intent index of the Top5 countries is 37% and the Top 4 destinations are Bangkok, Pattaya, Chiang Mai, and Phuket.

1.1.2 The Current Situation and Develop Trend of Chiang Mai Condominium Industry

Chiang Mai is the largest city in Northern Thailand. It is also the northern region's main economic center and tourism hub. However, an oversupply has resulted from the property boom in 2013. As of August 2015, 16,920 units have been made

available in which the one-bedroom units make up 66% of the supply and studios make up the other 24%. Foreign buyers are mostly from the USA, UK, Canada, Japan, and increasingly from China. Schroeder, the manager of the well-known real estate agency 21 Century in Chiang Mai area, told the reporter from “21 CBR” that the Chiang Mai land price increase average was at 20% in from 2012-2015. At present, there are 80 condominium projects that are all under construction in Chiang Mai. Since the condominium investment return rate is about 10% to 20% each year, the Chinese have started to invest in Chiang Mai condominium from 2011 until it boomed in 2013.

The www.juwai.com marketing research headlines “Chinese Thai Residence Buying Soars” and further comments that over the past year the Chinese Thai Residence Purchase Interest Index has soared up to 180 percent. By comparison, the combined Purchasing Intent Index of the five most popular countries with Chinese buyers in the second quarter of 2015 (US, Australia, UK, Canada, New Zealand) rose to just 37 percent. Chiang Mai is one of the Top 4 popular investment destinations.

According to the land office statistical data, the total international sale sharply decreased from 2014 to 2016. The international sale decreased from 251 to 44 units and the annual decrease rate was more than 50%. On the contrary, the proportion of Chinese buyers gradually increased in international sale in which the Chinese buyers’ share rose from 47% to 52.5% in 2014 then increased rapidly to 68.2% in 2016. These figures show that the Chinese are becoming the top 1 foreign buyer of Chiang Mai condominiums.

1.1.3 Research Problem

According the mentioned above there is a great opportunity for the condominium industry in Chiang Mai, both the Buying Interest Index increase and the ineffective intentional sale situation pose as challenges. Moreover, there is a big gap between the target group of big potential buyers and the gradually decreasing sale performance year by year. The realtor manager Schroeder said that the main reason that caused the Chiang Mai condominium ineffective sale performance is the sellers and developers’ lack of knowledge of Chinese buyers’ behavior especially with regard to their purchase decision. The field of consumer research is mostly focused on two major

questions: how consumers go about making decisions (descriptive theories), and how decisions should be made (normative theories) (Edwards and Fasolo 2001). (Edwards and Fasolo 2001). One of the most influential areas of consumer behavior is consumer decision – making (Bargh 2002; Simonson et al. 2001; Bettman, Luce, and Payne 1998). Thus at present, the developers have the desire to understand the customer buying process and to capture the knowledge required to understand the purchase decision making of already owners and the potential Chinese condominium buyers. The knowledge management is essential as used in China and Sweden’s real estate industry. (Youjia Shi 2012) A conducted research entitled “Knowledge Management of Real Estate Firms in China and Sweden” reveals that the real estate firms could achieve success with the following characteristics in the field of knowledge behavior which can greatly benefit the real estate industry.

The methodology proposed in this research is based on the concept of Knowledge Engineering (KE) and Common KADs methodology on modeling approach which has been recognized in many research projects. It is utilized to portray the analysis and the validation of the critical knowledge of purchase decision-making process. The research process mainly consists of four steps: (1) Knowledge scoping (2) Knowledge capturing (3) Case study and (4) Validation.

1.2 Research Questions and Objectives

1.2.1 Research Questions

1.2.1.1 What is the current situation of the condominium industry in Chiang Mai?

1.2.1.2 What is the critical knowledge needed to understand the Chinese condominiums buyers’ purchase decision-making?

1.2.2 Research Objectives

1.2.2.1 To study the current situation of the condominium industry in Chiang Mai.

1.2.2.2 To identify and capture the required critical knowledge of Chinese condominium buyers through the consumer purchase decision-making model.

1.3 Scope of the Research

1.3.1 Scope of Areas

1.3.1.1 Geographical Area: Chiang Mai City.

1.3.1.2 Institution: Condominium units with the property size of 30-50 SQM.

1.3.1.3 Academic Area: Knowledge capture.

1.3.1.4 Area of population: Chinese-owned and potential buyers of Chiang Mai condominium projects.

1.3.2 Scope of Content

- 1) The current situation of the Chiang Mai condominium industry.
- 2) The critical knowledge to understand the Chinese purchase decision-making process in CM condominium projects.

1.3.3 Research Time 2014 – 2016

1.4 Definition of Terms

Condominium or condominiumminium: According to the condominium Act (1979). A condominium is one of a group of housing units where each homeowner owns their individual unit space, and all the dwellings share ownership of areas of common use such as the utility and access to common facilities like the hallways, heating system, and elevators.

Condominium Developers : It means the persons who have the ownership of the whole condominiumminium program.

Chinese buyers: Chinese who already bought a house or wanted to purchase a condominiumminium in Chiang Mai.

1.5 Conceptual Framework

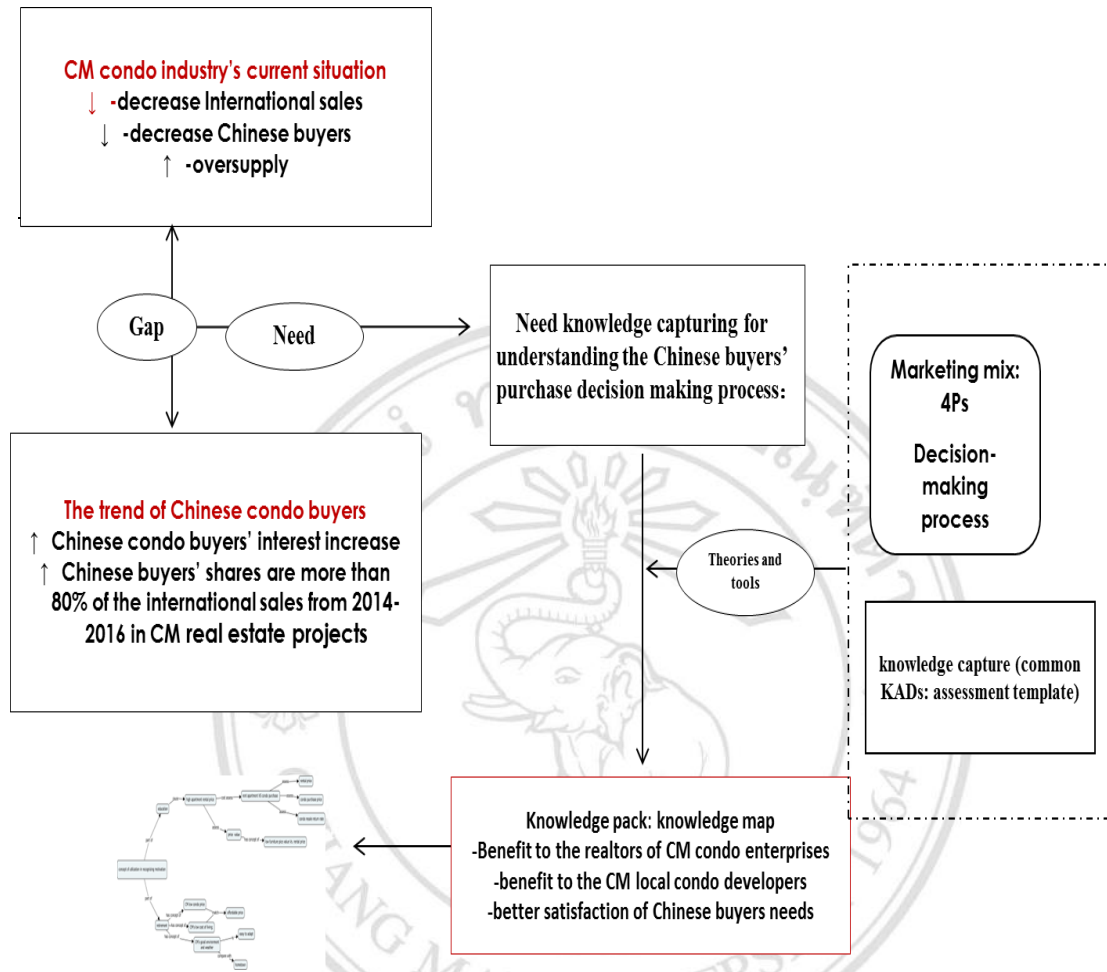


Figure 1.1 Conceptual Framework