

CHAPTER 1

INTRODUCTION

1.1 Background of the study

The Kingdom of Thailand, the land of smiles, previously known as Siam, is situated in the heart of Southeast Asia with Bangkok as the capital city. It shares a border with Cambodia to the east, Laos to the northeast, Myanmar to the west, and Malaysia to the south. Thailand has an approximately total 513,000 km² land area (the world's 51st-largest country in terms of area), and is the 20th-most-populous country, with around 65 million people. Buddhism is the faith of approximately 95 percent of the population. In 2013, Thailand GDP at a growth rate of 2.9%, all kinds of industries recovery gradually after 2011 flood. In conclusion, the Kingdom of Thailand is a country blessed with political stability and economic prosperity. The Kingdom, a society that is also free, cohesive, and open, remains one of the most attractive places in the world to visit and conduct business.

Thailand's warm climate, relatively low-cost of living and good infrastructure ensures that foreign-ownership of housing Properties will grow exponentially with less restrictive ownership laws. According to Aliwassa Pathnadabutr, Managing Director, CB Richard Ellis (Thailand) Ltd. (CB Richard Ellis) said "From 2006 until the Q1 2010, we analyzed 4,215 specific condominium purchases in Bangkok and discovered that 31 per cent or 1,297 units were purchased by foreigners," According to Aliwassa, the top three countries with purchasers were the UK (14.4 per cent), USA (12.1 per cent) and Singapore (10.9 per cent). (see table 1). Of these foreign purchasers, Aliwassa said 34 per cent were people that lived permanently in Thailand and 37 per cent were foreigners that lived or worked in the Asia Pacific region. "28 per cent lived permanently in the US, Europe or Australia and the balance are from other countries," she said.

The overall demand by foreign purchasers, especially those from Asia for condominiums and vacation-homes such as beach-front villas, has been continuously rising. "Condominiums in Bangkok are very popular for foreign buyers while villas and beach front condos are favored in Phuket and Samui," she said. At the same time, Europeans, Americans and Japanese in Chiang Mai prefer to buy or rent land to construct homes. "Other foreigners like to purchase condominium and houses in Pattaya and Hua Hin," she said. "Most foreign purchasers prefer to purchase properties in downtown Bangkok locations such as Sukhumvit, Lumpini, Lang Suan, Phloen Chit, Ratchadamri and Sathorn including the Chao Phraya riverside," she said.

Foreigners may own up to one rai of land (0.4 acre) for residential purposes if granted permission by the Minister of the Ministry of Interior, and must remit a total of at least THB 40 million into Thailand over a minimum period of five years in a specific businesses or activities. Moreover, the land to be acquired shall be located in Bangkok Metropolis, Pattaya City, or Tessaban (municipality), or in the area specified as a residential zone according to the law on town and country planning, and shall not be situated in a military safety zone according to the law on military safety zone. However, the land may be disposed if it is not utilized for residence

within two years from the day of the land acquisition registration, or if the alien who is granted permission to acquire such land does not comply with the rules and conditions specified.

A foreign individual who does not hold a permanent resident certificate, or foreign company purchasing a condominium unit, is required to bring 100% of the amount of the purchase price from an overseas source into Thailand.

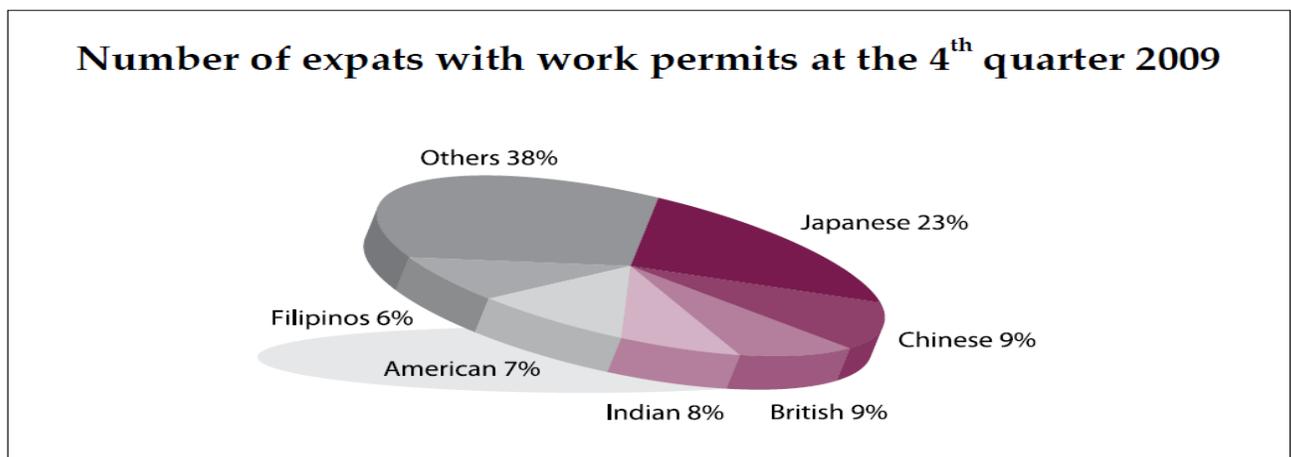
Before April 2004, foreigners could purchase up to 100% of a condominium project, provided it was located in Bangkok Metropolis, municipality area or other administrative area, and the site area was less than five rai (two acres), as stipulated in the Condominium Act (No. 3), B.E. 2542. This law was in effect between 1999–2004 and is still valid for condominiums purchased during that period.

Foreigners can purchase, in any condominium project, up to 49% of the total space of all units in that condominium at the time of the application for registration without the need for permanent residence. Eligible foreigners include:

Those with residence permits;

- ✓ Those granted permission to enter the Kingdom under the Investment Promotion Act;
- ✓ Limited companies with more than 49% of its capital owned by aliens who have been registered as a foreign 'juristic person' under Thai law;
- ✓ Foreign juristic persons with investment promotion certificates; and
- ✓ Foreign individuals or juristic persons remitting foreign currency into the Kingdom for payment for the condominium units.

Foreigners are still primarily forbidden to own land in Thailand. These restrictions have hindered the growth of foreign housing ownership, a trend that is prevalent elsewhere in South East Asia. Thailand's land ownership restrictions primarily shut-out foreigners from the single detached housing market. Some foreign buyers married to Thai spouses or expats that live permanently in Thailand, however use various forms of corporate nominee structures to buy land and build homes. However, these structures are not completely fool-proof and foreign buyers using these types of structures should obtain top legal advice.



Source : Office of Foreign Workers Administration, Department of Employment, Minister of Labor

The chart above shows that by far the largest number of expats with work permits are from Japan (23.29 per cent), followed by China (9 per cent), UK (8.54 per cent) and India (8.08 per cent).

Marketing is a social process by which individuals and groups achieve what they need and want through creating exchanging goods and values (Kotler& Armstrong, 2005, p.6). Real estate investment is becoming increasingly international.

Lim et al. (2002) mention that the real estate investment in Asia perceived potentiality levels from foreign customers and Asian real estate markets, especially those in Thailand and Hong Kong are given high return. Lim et al. (2002) study the perception of real estate investment opportunities in Southeast Asia by focusing on the factors influencing UK and Singaporean investors during the year 2002. The characteristics of UK and Singaporean investors are similar in that they are concerned with real estate risks and cultured factors during their decision-making process. Thus, in this research the researchers aim at investigating the factors related to Chinese customer buying condominium decision Find which elements of performance have most important influence on decision making.

In the recent years, the demand amongst overseas investors for condominium in local property market in Thailand continues to increase and it is currently driving Thailand real estate markets to boom. Thailand is a waterfront tropical country, where the hot climate, abundant rainfall, sunny and no winter which become an advantage for Thailand to attract Chinese who don't like cold weather. China has a long history of relation with Thailand. With the economic growth of both countries, bilateral exchanges of politics, economics, military, culture, tourism are increasingly close. Thailand, with its unique nature environment (beach, mountain, sea, weather, fruit) and social environment (culture, Thai people's friendly, kindness and polite) attract Chinese tourist to here. In addition, Chinese come to Thailand for education, business or travel purpose. Accompanying more and more Chinese enjoy to stay in Thailand and decide to buy their own condominium in Thailand which will stimulate Thailand real estate industry development. For example, from the NATIONAL MEDIUM "Business column" have a report named: "Chinese investors up demand in Chiang Mai", it is said:

Demand for both condominiums and detached housing in Chiang Mai is strong, especially from investors from China, many of whom snapped up residences after visiting the northern province following the popularity of the Chinese-language movie "Lost in Thailand", which was released two years ago. "Up to 80 per cent of our foreign customers are Chinese people who have a business in Chiang Mai, either a trading firm or a manufacturing plant," said Quality Houses CEO Rutt Phanijsand. Foreign residential demand in Chiang Mai is for luxury homes priced more than Bt10 million, he said, adding that some male foreign investors buying detached housing in Chiang Mai will bypass purchasing a home in a joint venture with a Thai and instead marry a local woman, as Thai women can buy property.

Furthermore, the property market in Chiang Mai is booming not only for residential projects, but also for the retail and hospitality sectors, following the provincial infrastructure that supports Chiang Mai as central business hub for the upper-northern provinces. Meanwhile, most major shopping-mall operators and superstore chains with extensive coverage in Bangkok already have Chiang Mai outlets, such as Central Group, which operates the Central Chiang Mai Airport mall

and the Central Festival complex, with the latter opening only last year. Tesco Lotus and Big C Supercentre also have branches in the city.

The study about the factors affect to Chinese customer condominium purchase decision. Find which elements of performance are most important have influence on decision making. To accomplish this task, researcher has to understand the opinions and attitude of Chinese to Thailand condominium. What factors are really conclusive to them and factors about the demographic, marketing mix and social & culture factors. What is relationship between these factors and Chinese condominium buying decision in Thailand and what is the main issue need to be solved in the future.

The important part that we have to study in the research: in the first section, the study will present factors related to customer behavior by using the theory concern as buyers' decision making process and stimulus response model of customer's behavior. In the second section, four major theories have influence on Chinese customers buying decision making. These cover concept of demographic (gender, education background, occupation, salary and marital status and etc.), real estate risk factors (legal framework, internal politics and corruption problem and); marketing mix (price, place, promotion and product) social and culture factors (reference group, language barrier, culture differences and customer habits). The third section of the study will use quantitative method to answer the research question and achieve the study objective. For the fourth section, will use survey method to conclusion how to achieve to increase Chinese condominium buyers in Thailand and decrease confusing problem during Chinese buying process and enhance confidence in Thailand real estate so that stimulate Thailand real estate industry.

1.2 Objective of the study

Nowadays, real estate investment in Thailand continues to attract foreign customers as higher return is perceived in real estate markets. Lim et al. (2002) study the perception of real estate investment opportunities in Southeast Asia by focusing on the factors influencing UK and Singaporean investors.

The purpose of this study is to analyze how the real estate factors, marketing mix factors and social culture factors affect Chinese with different demographic background on decisions to buy condominium in Thailand.

The strategic question is to investigate how do factors such as price, risks and cultural factors influence the Chinese consumers' decision to buy condominium in Thailand. These factors are important to consumers, real estate developers and agencies. Which Chinese group shall be real estate developer target customer, how can they get more purchasing power from enormous Chinese in Thailand. What are main factors related to Chinese to make decision to buy condominium in Thailand. On the other hand, what should Chinese customer consider before they make decision.

1. To study how the real estate risk factors (internal political, corruption problem) affects the Chinese to purchase condominium and study how the marketing mix factors (product, price, place, promotion) affect them;
2. To study how the social & culture factors (reference group, language barrier, culture differences and customer habits) affects Chinese to buy condominium in Thailand.

1.3 Scope of the study

The scope of the study is to determine the population and sample size.

Population

The study population is the citizen between 20 to 50 years old Chinese who has been in Thailand or stay in Thailand now.

Sample size

700 peoples are selected as sample sized by using sampling survey method with confident interval 95%.

Place

This study is made in Bangkok Thailand and the raw data is collected in Bangkok metropolitan and survey website.

Period

The study period is from July till October, 2014.

1.4 Variables of the study

1. Independent variables are as followed

- 1.1 Demographic Background

- 1.1.1 Gender

- 1.1.2 Age

- 1.1.3 Education

- 1.1.4 Income

- 1.1.5 Occupation

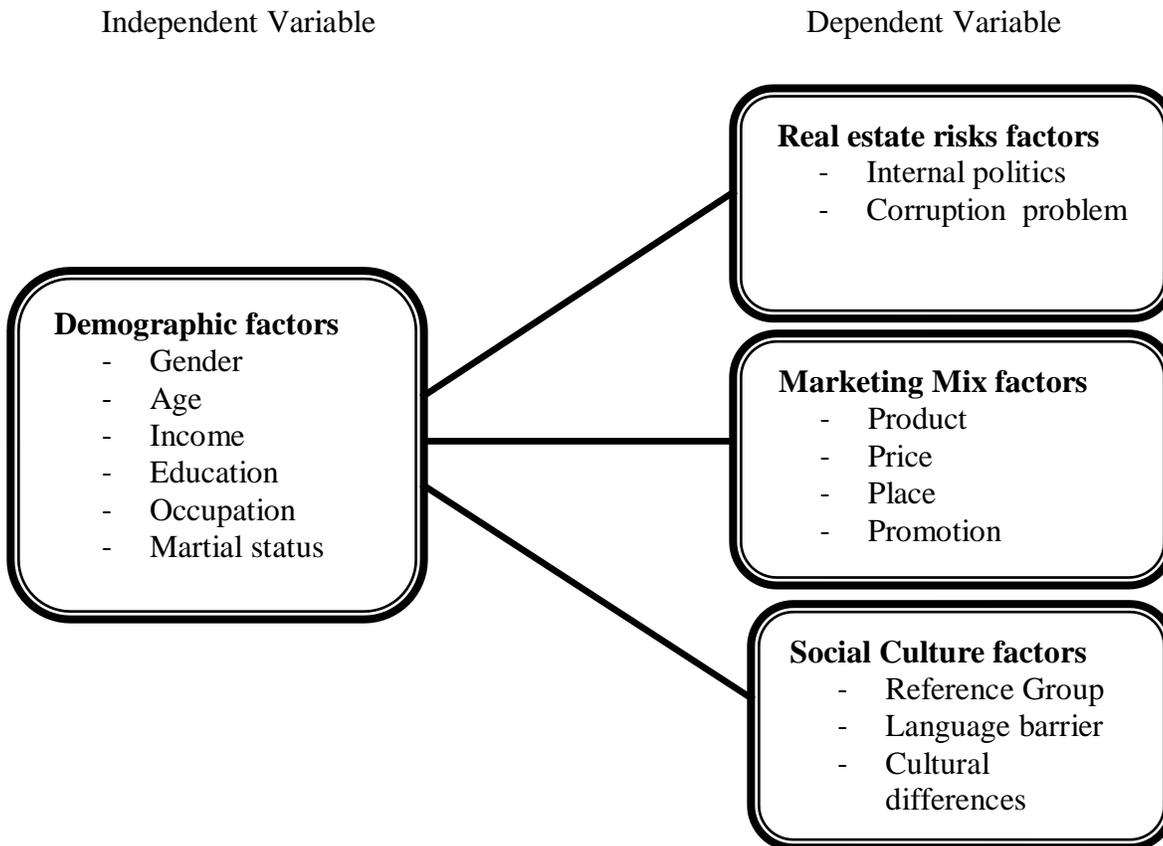
- 1.1.6 Marital status

1. 2. Dependent variables

- 1.2.1 Real Estate risk factors

- 1.2.1.1 Internal politics
- 1.2.1.2 Corruption problem
- 1.2.2 Marketing Mixing factors
 - 2.2.1 Product
 - 2.2.2 Price
 - 2.2.3 Place
 - 2.2.4 Promotion
- 1.2.3 Social culture factors
 - 2.3.1 Reference group
 - 2.3.2 Language barrier
 - 2.3.3 Cultural differences
 - 2.3.4 Customer habits

1.4 Conceptual Framework



1.6 Research Hypothesis

H1. Chinese with different demographic background get different influence from real estate factors for condominium purchase in Thailand.

H2. Chinese with different demographic background get different influence from marketing mix factors for condominium purchase in Thailand.

H3. Different demographic background Chinese get different influence from social culture factors for condominium purchase in Thailand

1.7 Research Questions

- (1) How real estate risk factors influence Chinese in Thailand condominium purchase decision;
- (2) How marketing mix factors influence Chinese in Thailand condominium purchase decision;
- (3) How social culture factors influence Chinese in Thailand condominium purchase decision;

1.8 Limitation of the study

- (1) This research only covers condominium real estate buying decision making;
- (2) This research only cover Chinese nationality customer in Thailand and can't represent other nationalities citizen idea;
- (3) The questionnaires are sent out randomly and only cover 700 persons, this research somehow can just represent part of millions Chinese intention.

1.9 Expected benefits

1. This research is directly related to people who are responsible for the management and sales as well as marketing of real estate industry in Thailand in terms of considering the marketing strategy for real estate business through the analysis of the factors that influence Chinese condominium purchasing behavior and decisions.
2. Can be beneficial for real estate developer to differentiate reference for Chinese customer and other foreign nationality customer buy real estate property in Thailand.
3. Can be beneficial to the marketers who are in real estate industry in order to develop a better viewpoint on the market. It will provide them more accurate understanding and subsequently help in satisfying customers' needs effectively.
4. It can be beneficial to students who are interested in real estate marketing. Moreover, developers and real estate agencies can create or adapt new marketing strategies to improve their property and to reach consumers successfully, based on the findings and recommendations of this research.
5. It can be beneficial to Chinese who have intention or plan to buy condominium in Thailand. They can take it as a reference to take related factors into consideration, so that can help them to buy condominium in Thailand smoothly.

1.10 Operation definition

Chinese people

Chinese people are the various individuals or groups of people associated with China, either by reason of ancestry or heredity, nationality, citizenship, place of residence, or other affiliations.

Thailand

Thailand, officially the Kingdom of Thailand and formerly known as Siam, is a country at the centre of the Indochina peninsula in Southeast Asia. It is bordered to the north by Burma and Laos, to the east by Laos and Cambodia, to the south by the Gulf of Thailand and Malaysia, and to the west by the Andaman Sea and the southern extremity of Burma. Its maritime boundaries include Vietnam in the Gulf of Thailand to the southeast, and Indonesia and India on the Andaman Sea to the southwest.

Thailand is a monarchy headed by King Bhumibol Adulyadej, Rama IX and governed by a military junta that took power in May 2014. The king is the ninth of the House of Chakri, and has reigned since 1946 as the world's longest-serving current head of state and the country's longest-reigning monarch. The King of Thailand's titles include Head of State, Head of the Armed Forces, Adherent of Buddhism, and Upholder of religions. Although a constitutional system was established in 1932, the monarchy and military have continued to intervene periodically in politics.

With a total area of approximately 513,000 km² (198,000 sq mi), Thailand is the world's 51st-largest country. It is the 21st-most-populous country in the world, with around 65 million people. The capital and largest city is Bangkok, which is Thailand's political, commercial, industrial, and cultural hub. About 75–95% of the population is ethnically Tai, which includes four major regional groups: Central Thai (Khon Pak Klang): 30%; Northeastern Thai (Khon [Lao] Isan): 22%, (Khon Lanna): 9%; and Southern Thai (Khon Tai): 7%. Thai Chinese, those of significant Chinese heritage, are 14% of the population—while Thais with partial Chinese ancestry comprise up to 40% of the population, Thai Malays represent 3% of the population, with the remainder consisting of Mons, Khmers and various "hill tribes". The country's official language is Thai and the primary religion is Buddhism, which is practiced by around 95% of the population.

Thailand experienced rapid economic growth between 1985 and 1996, becoming a newly industrialized country and a major exporter. Manufacturing, agriculture, and tourism are leading sectors of the economy. Among the ten ASEAN countries, Thailand ranked second in the best quality of life in ASEAN and the country's HDI had been rated as 'high'. Its large population and growing economic influence have made it a middle power in the region and around the world.¹

Real Estate

Real estate is "property consisting of land and the buildings on it, along with its natural resources such as crops, minerals, or water; immovable property of this nature; an interest vested in this; (also) an item of real property; (more generally) buildings or housing in general. Also:

the business of real estate; the profession of buying, selling, or renting land, buildings or housing."

Condominium

A condominium, or condo, is the form of housing tenure and other real property where a specified part of a piece of real estate (usually of an apartment house) is individually owned. Use of land access to common facilities in the piece such as hallways, heating system, elevators, and exterior areas are executed under legal rights associated with the individual ownership. These rights are controlled by the association of owners that jointly represent ownership of the whole piece.

"Condominium" is a legal term used in the United States and in most provinces of Canada. In Australia, New Zealand, and the Canadian province of British Columbia, it is referred to as "strata title." In Quebec, the term "divided co-property" (French: propriété divis) is used, although the colloquial name remains "condominium." In France, the equivalent is called copropriété (co-ownership), usually managed by the syndic. In Hispanic regions, the traditional term propiedad horizontal is retained since *horizon* in this case signifies "defined." In South Africa, this form of ownership is called "sectional title."¹