

Factors Influencing Home Buyers' Decision Making and The Consequent Impact on Housing Development by Property Entrepreneurs

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Abstract

This study aimed to examine factors influencing word-of-mouth communication (WOM) and housing purchase decisions among prospective buyers of single-detached houses in Northern Thailand, with WOM positioned as a mediating variable in the conceptual framework. A quantitative research design was employed. The minimum required sample size was determined using Cochran's formula (1977) for an unknown population at a 95% confidence level and a 5% margin of error, yielding 385 respondents. Using convenience sampling, data were collected from 416 eligible prospective homebuyers in Chiang Mai, Chiang Rai, and Phayao Provinces through a structured online questionnaire measured on a five-point Likert scale. Data were analyzed using descriptive statistics and multiple linear regression. The findings showed that price significantly influenced WOM ($\beta = 0.435$, $p < .001$), whereas product quality did not ($\beta = 0.091$, $p = .162$). The model explained 25.7% of the variance in WOM ($R^2 = 0.257$, Adjusted $R^2 = 0.253$), while the remaining 74.3% could be attributable to other factors that were not included in the model. For housing purchase decisions, financial accessibility was the strongest significant predictor ($\beta = 0.441$, $p < .001$), followed by price ($\beta = 0.165$, $p = .015$) and location ($\beta = 0.150$, $p = .001$). Product quality ($\beta = 0.070$, $p = .198$) and WOM ($\beta = 0.020$, $p = .614$) were not significant. The model explained 54.9% of the variance in housing purchase decisions ($R^2 = 0.549$, Adjusted $R^2 = 0.544$), while the remaining 45.1% could be attributable to other factors that were not included in the model. These findings indicate that homebuyers in Northern Thailand primarily base purchase decisions on financial feasibility, affordability, and location, providing practical guidance for developers in pricing, financing support, and residential project planning.

Keywords: Housing Purchase Decision; Financial Accessibility; Single-Detached Housing;
Word of Mouth; Northern Thailand

Introduction

Housing purchase decisions represent one of the most financially and psychologically significant decisions for consumers, particularly in emerging regional property markets. Beyond serving as a basic human necessity, residential property reflects stability, lifestyle preferences, investment value, and long-term financial security for individuals and families (Abdullah et al., 2012; Khan et al., 2017). Given the substantial financial commitment and long-term implications associated with homeownership, understanding the factors that influence residential purchasing behavior has become increasingly important for property developers, policymakers, and other stakeholders involved in regional housing development.

In Thailand, residential demand has increasingly expanded beyond the Bangkok Metropolitan Region, particularly in Northern Thailand, where provinces such as Chiang Mai, Chiang Rai, and Phayao have attracted local residents, retirees, and households seeking improved quality of life, lower living costs, and long-term investment opportunities. According to the SCB Economic Intelligence Center (2024), which analyzed housing preferences among 2,185 respondents nationwide, Chiang Mai accounted for 26.0% of consumers interested in purchasing residential property outside Bangkok, followed by Chiang Rai at 7.7%. These findings demonstrate the growing attractiveness of Northern Thailand as an emerging regional housing market with considerable residential and investment potential. They also suggest that changing demographic patterns and lifestyle preferences warrant further investigation into the factors influencing homebuyers' residential purchasing decisions in this region.

Previous studies have identified several important determinants influencing housing purchase decisions, including location, product quality, price, financial accessibility, and word of mouth (WOM). Location remains a critical factor because it affects accessibility, neighborhood quality, convenience, and long-term property values (Daly et al., 2003; Kurniawan et al., 2020; Zhang & Nuangjamnong, 2022). Product quality, reflected in housing durability, functional design, and other physical housing attributes, contributes to consumers' perceptions of residential value and housing purchase decisions (Rahadi et al., 2013; Mustapa & Razib, 2023; Jacky & Saputra, 2024). In addition, price and financial accessibility play essential roles because home purchases require substantial financial resources and long-term repayment capability (Adair et al., 1996; Zhang & Nuangjamnong, 2022). Furthermore, WOM has become increasingly influential in the digital era, where consumers rely

on recommendations, online reviews, and peer experiences to reduce uncertainty and perceived risk in high-involvement purchases such as housing (Rachmawati et al., 2019; Jacky & Saputra, 2024).

Although previous studies have examined individual determinants of housing purchase decisions, most empirical evidence has focused on metropolitan areas such as Bangkok and Jakarta, with relatively limited attention given to regional housing markets in Northern Thailand. Moreover, existing studies have rarely integrated location, product quality, price, financial accessibility, and WOM within a single analytical framework to explain residential purchasing behavior. The distinctive socio-economic characteristics of Chiang Mai, Chiang Rai, and Phayao—including retirement migration, lifestyle preferences, and affordability considerations—suggest that homebuyers in these provinces may exhibit decision-making patterns that differ from those reported in large metropolitan regions. Accordingly, this study develops an integrated framework to examine how these determinants shape purchase decisions among prospective buyers of single-detached houses in Northern Thailand.

Therefore, this study aims to investigate the effects of product quality and price on WOM, to examine the influence of location, product quality, price, financial accessibility, and WOM on purchase decisions for single-detached houses, and to identify the determinant that exerts the strongest influence on residential purchasing behavior in Northern Thailand. Academically, this study contributes to the housing and consumer behavior literature by integrating multiple determinants within a single framework and extending existing evidence to regional housing markets beyond major metropolitan areas. Practically, the findings provide strategic implications for property developers and policymakers in designing pricing strategies, financing support mechanisms, and residential development plans that better align with consumers' financial priorities and regional market preferences.

Research objectives

1. To study the effects of product quality and price on word-of-mouth communication (WOM) among prospective homebuyers.
2. To examine the effects of location, product quality, price, financial accessibility, and word-of-mouth communication (WOM) on housing purchase decisions.

3. To examine the mediating effect of word-of-mouth communication (WOM) on the relationships between product quality and price and housing purchase decisions.

4. To analyze the determinant that exerts the strongest influence on housing purchase decisions among prospective homebuyers in Northern Thailand.

Conceptual Framework

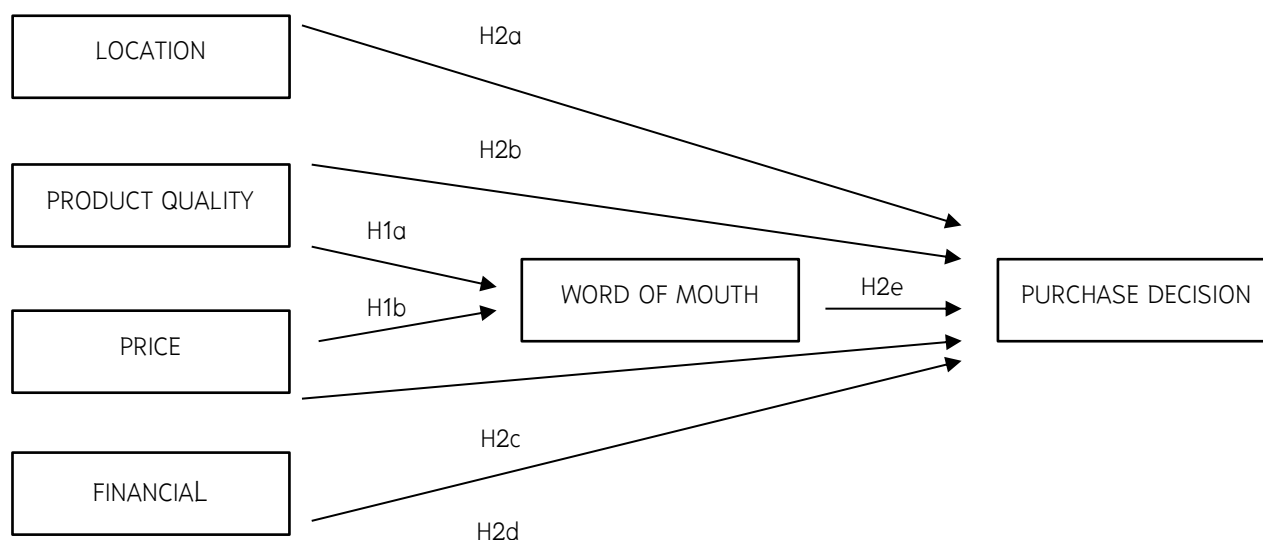


Figure 1 Proposed Conceptual Framework

Research Methodology

This study employed a quantitative survey design to examine the factors influencing housing purchase decisions for single-detached houses in Chiang Mai, Chiang Rai, and Phayao Provinces in Northern Thailand. Guided by the proposed conceptual framework, the study examined the relationships among location, product quality, price, financial accessibility, word of mouth (WOM), and housing purchase decisions using a structured questionnaire. The target population comprised Thai residents aged 25–60 years who were planning or considering the purchase of a single-detached house in Chiang Mai, Chiang Rai, or Phayao Provinces within the next five years. Because the exact number of prospective homebuyers in the target population could not be determined and no comprehensive sampling frame was available, convenience sampling was employed as the sampling technique, consistent with the principles of non-probability sampling discussed by Yamane (1967). The minimum required sample size for an unknown population was determined using Cochran's formula (1977) at a 95% confidence level and a 5% margin of error,

resulting in a minimum requirement of 385 respondents. Data were collected from 416 eligible respondents using a structured online questionnaire, exceeding the required sample size and providing sufficient observations for multiple regression analysis. Respondents were recruited through LINE and Facebook community groups, as well as professional and educational activities, including training sessions, seminars, meetings, and classes, where they were invited to complete the questionnaire online. These recruitment channels enabled access to eligible prospective homebuyers across the three provinces while acknowledging the practical limitations associated with non-probability sampling.

The research instrument consisted of a structured self-administered questionnaire developed from the proposed conceptual framework and adapted from previously validated measurement items reported in the literature. The questionnaire items were carefully selected and modified to reflect the context of single-detached housing purchase decisions in Northern Thailand while maintaining conceptual consistency with the original constructs. The questionnaire comprised four parts: (1) screening questions assessing respondents' eligibility, including purchase intention, intended purchase location (Chiang Mai, Chiang Rai, or Phayao), and planned housing purchase within the next five years; (2) measurement items for the study variables; (3) measurement items for housing purchase decision; and (4) demographic information. All constructs were measured using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

Content validity was established through expert review to ensure the relevance, clarity, and conceptual consistency of all questionnaire items with the study constructs. Prior to the main survey, the questionnaire was pretested with a pilot group to assess the clarity and reliability of the measurement items. Minor wording refinements were subsequently made to improve comprehensibility before the final data collection. The study examined six variables: location, product quality, price, financial accessibility, Word of Mouth (WOM), and housing purchase decision. In Model 1, product quality and price were specified as predictors of WOM. In Model 2, location, product quality, price, financial accessibility, and WOM were specified as predictors of housing purchase decision.

Instrument reliability was evaluated using Cronbach's alpha coefficient. As shown in Table 1, all constructs demonstrated acceptable to high internal consistency, with alpha coefficients

ranging from 0.809 to 0.889, exceeding the recommended threshold suggested by Hair et al. (2010). These results confirm the reliability and suitability of the measurement instrument for statistical analysis.

Descriptive statistics, including frequencies, percentages, means, and standard deviations, were used to summarize respondents' demographic characteristics and response distributions. Multiple Linear Regression (MLR) analysis was employed to examine the relationships among the study variables and to test the proposed hypotheses.

Table 1. Summary of Reliability Analysis Using Cronbach's Alpha

Variables	Reliability Value (α -test)
Location	0.809
Product Quality	0.838
Price	0.835
Financial Accessibility	0.860
Word of Mouth (WOM)	0.885
Purchase Decision	0.889

Research Results

The results of the hypothesis testing are summarized in Table 2. Multiple Linear Regression (MLR) analysis was conducted to examine the proposed relationships in two regression models corresponding to the research objectives. Model 1 evaluated the effects of product quality and price on Word of Mouth (WOM), whereas Model 2 examined the effects of location, product quality, price, financial accessibility, and word-of-mouth (WOM) on housing purchase decisions.

The first regression model examined the effects of product quality and price on word-of-mouth communication.

The results indicated that price significantly influenced WOM communication ($\beta = 0.435$, $p < .001$), whereas product quality did not demonstrate a statistically significant effect ($\beta = 0.091$, $p = .162$). The regression model explained 25.7% of the variance in WOM communication ($R^2 = 0.257$, Adjusted $R^2 = 0.253$).

The second regression model examined the effects of location, product quality, price, financial accessibility, and word-of-mouth (WOM) on housing purchase decisions. The model explained 54.9% of the variance in housing purchase decisions ($R^2 = 0.549$, Adjusted $R^2 = 0.544$). Among the five predictors, financial accessibility emerged as the strongest determinant ($\beta = 0.441$, $p < .001$), followed by price ($\beta = 0.165$, $p = .015$) and location ($\beta = 0.150$, $p = .001$). In contrast, product quality ($\beta = 0.070$, $p = .198$) and WOM ($\beta = 0.020$, $p = .614$) did not significantly influence housing purchase decisions.

Table 2 Summary of Multiple Linear Regression Analysis Results

Hypothesis	p-value	Standardized β	Result
H1₀: Product quality and price have no statistically significant influence on Word-of-Mouth (WOM)			
Product Quality (H1 _{0a})	0.162	0.091	Fail to Reject H1 _{0a}
Price (H1 _{0b})	<0.001	0.435	Rejected H1 _{0b}
Model Fit Statistics: $R^2 = 0.257$, Adjusted $R^2 = 0.253$			
H2₀: Location, product quality, price, financial accessibility, and word-of-mouth (WOM) have no statistically significant influence on housing purchase decisions.			
Location (H2 _{0a})	0.001	0.150	Rejected H2 _{0a}
Product Quality (H2 _{0b})	0.198	0.070	Fail to Reject H2 _{0b}
Price (H2 _{0c})	0.015	0.165	Rejected H2 _{0c}
Financial Accessibility (H2 _{0d})	<0.001	0.441	Rejected H2 _{0d}
Word-of-Mouth (WOM) (H2 _{0e})	0.614	0.020	Fail to Reject H2 _{0e}
Model Fit Statistics: $R^2 = 0.549$, Adjusted $R^2 = 0.544$			

Discussion

Purchasing a single-detached house requires a substantial long-term financial commitment. Regardless of a property's location, quality, or price, prospective buyers are unlikely to proceed unless they are confident that mortgage financing, monthly repayments, and long-term financial obligations remain within their financial capability. Consistent with the consumer decision-making process, financial feasibility is therefore assessed before other housing attributes because consumers must first determine whether homeownership is economically attainable.

Previous housing research supports this interpretation. Adair et al. (1996) conceptualized financial accessibility as extending beyond housing prices to include mortgage availability, repayment capacity, and long-term financial commitments, while Kurniawan et al. (2020) and Zhang and Nuangjamnong (2022) likewise identified financial factors as important determinants of residential purchasing decisions. The present findings extend this evidence by demonstrating that financial accessibility assumes an even more dominant role among prospective buyers of single-detached houses in Northern Thailand, where homeownership is commonly regarded as a long-term family investment requiring sustained financial capability.

Consequently, financial accessibility performs the functional role of a Decision Prerequisite, determining whether consumers proceed to evaluate alternative housing options. This finding suggests that financial accessibility should be considered an integral component of developers' overall value proposition, an implication discussed further in the Suggestions section. Rather than evaluating price independently, consumers compare it with location, product quality, and expected residential benefits to determine whether a property represents good value. This interpretation is consistent with the perceived value perspective (Grewal et al., 1998; Monroe, 1990) and supported by previous housing studies reporting that price fairness significantly influences residential purchasing decisions (Jacky & Saputra, 2024; Zhang & Nuangjamnong, 2022). The present study further suggests that these value evaluations frequently become topics of interpersonal communication during the homebuying process.

Within the Northern Thailand housing market, price appears to be evaluated primarily in terms of long-term value rather than affordability alone, reflecting consumers' assessment of whether the overall benefits justify the required investment. Consequently, price performs two complementary functional roles within residential decision-making: a Value Evaluation Criterion that guides consumers' economic assessment and a Communication Trigger that stimulates interpersonal information exchange. These findings provide the basis for understanding how consumers proceed from financial feasibility to broader residential evaluation.

Purchasing a house involves selecting not only a dwelling but also the surrounding environment in which individuals and families expect to live. Accordingly, consumers consider accessibility, neighborhood safety, environmental quality, and proximity to essential public services when comparing residential alternatives. Previous housing studies similarly identified location as a significant determinant of residential purchase decisions because it contributes to convenience, neighborhood quality, and long-term residential satisfaction (Daly et al., 2003; Kurniawan et al., 2020; Zhang & Nuangjamnong, 2022). The present findings extend this evidence by suggesting that, within the Northern Thailand housing market, location is evaluated primarily according to its ability to support everyday living rather than urban accessibility alone.

In this context, location performs the functional role of a Residential Suitability Criterion, enabling consumers to evaluate whether a residential environment aligns with their expected lifestyle and long-term living requirements.

Although product quality has traditionally been regarded as an important determinant of consumer purchasing behavior, previous housing studies indicate that its influence depends on the extent to which quality distinguishes competing alternatives (Garvin, 1987; Rahadi et al., 2013; Mustapa & Razib, 2023). Within the Northern Thailand housing market, prospective buyers appear to perceive that competing single-detached housing projects generally satisfy acceptable standards of structural quality, durability, warranty, energy efficiency, and after-sales service. Under these circumstances, consumers naturally shift their attention toward attributes that provide greater differentiation, particularly financial accessibility, price, and location.

Therefore, product quality performs the functional role of an Expected Quality Threshold rather than a direct purchase driver. Once this threshold has been satisfied, consumers rely on other decision criteria to distinguish among competing residential alternatives, providing the conceptual foundation for understanding the supporting role of word-of-mouth communication discussed in the following section.

Residential purchasing requires consumers to integrate information from multiple sources before making a substantial long-term financial commitment. The present findings suggest that prospective homebuyers use word-of-mouth primarily to verify information before relying on more objective decision criteria, particularly financial accessibility, price, and location. Under these circumstances, interpersonal communication complements rather than replaces consumers' independent evaluations.

Accordingly, word-of-mouth performs the functional role of an Information Assurance Mechanism, supporting information verification and strengthening purchasing confidence throughout residential decision-making.

Collectively, these findings indicate that residential purchase decisions are shaped by a sequence of complementary decision functions rather than by independent determinants. Financial accessibility establishes purchase feasibility (Decision Prerequisite), price evaluates perceived value (Value Evaluation Criterion), location determines residential suitability (Residential Suitability Criterion), product quality defines the minimum acceptable standard (Expected Quality Threshold), and word-of-mouth reinforces confidence through information verification (Information Assurance Mechanism). Together, these functional roles constitute a Functional Decision Framework for Residential Purchase Decision-Making that explains both why and how prospective homebuyers evaluate residential alternatives.

This integrated perspective provides the conceptual foundation for the practical implications presented in the following Suggestions section.

Suggestions

1. Suggestions from Research

Consistent with the Functional Decision Framework proposed in this study, the following suggestions are offered for property developers and financial institutions. Property developers may align their housing development strategies with the sequence in which prospective homebuyers evaluate residential alternatives. Since financial accessibility functions as the Decision Prerequisite, developers are encouraged to strengthen collaboration with financial institutions to provide flexible mortgage programs, transparent financing information, and repayment arrangements that correspond to consumers' long-term financial capability. Once financial feasibility has been established, marketing strategies should emphasize value communication by demonstrating how housing prices are justified through location advantages, functional benefits, and long-term residential value rather than competing primarily through price reductions. Developers can further enhance project competitiveness by locating residential developments in environments that support consumers' long-term lifestyle expectations while maintaining product quality at a consistently acceptable standard. In addition, fostering positive customer experiences and responsive after-sales services may strengthen credible Word of Mouth (WOM), thereby reinforcing consumer confidence throughout the homebuying process.

The findings may also assist financial institutions in improving financing support that better reflects prospective homebuyers' long-term repayment capability. Simplified mortgage procedures, flexible financing options, and transparent lending information may improve prospective homebuyers' access to suitable financing while reducing financial uncertainty during the purchase process.

Although this study did not directly examine housing policies, the findings may provide useful reference information for property developers, financial institutions, and other relevant organizations when considering approaches to improve housing accessibility through financing support that aligns with prospective homebuyers' long-term repayment capability. These broader practical implications should be interpreted within the scope of this study and the characteristics of the research setting in Northern Thailand.

2. Suggestions for Future Research

Future research may further validate, refine, and extend the proposed Functional Decision Framework by examining additional determinants of residential purchase decisions and evaluating whether the functional roles identified in this study remain consistent across different residential contexts. Additional factors, such as developer reputation, perceived investment value, sustainability, and housing policies, may be incorporated into the framework to further strengthen its explanatory capability. Comparative studies across different residential property types, regional housing markets, and consumer segments, together with mixed-method designs incorporating in-depth qualitative interviews, may further enhance understanding of how prospective homebuyers evaluate residential alternatives under different economic and social conditions.

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