

# Harnessing the Power of Herding for Real (Estate); Factors Influencing Herd Mentality, Driven by Social Media in the Real Estate Market

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## Abstract

This paper explores the effect of the herd mentality on consumers' buying decisions in the real estate industry, which is highly influenced by social media influences. It helps to understand how social media influencers shape consumer behavior and decision-making processes in the economy of real estate transactions. Social media influencers significantly impact herd mentality, leading to market jumps and potential risks in the real estate area. The paper also contributes to the debates on the role of social media in shaping consumer behavior and its connection with the real estate industry. This paper provides awareness for researchers seeking to understand and navigate the real estate market dynamics in the digital age and fast-changing economy today. Using social media in this industry today is indeed a significant determinant of essentially making your clients, your fans. The way homes and agents are perceived on social media is crucial to the success of the industry.

## Keywords

Real Estate Industry, Social Media, Herd Mentality, Economy, Perception, Mindset, Emotion, Influence

## 1. Introduction

In this Anthropocene era of digital connectivity and the proliferation of social media, the influence of online personalities, known as social media influencers, has become a force to be reckoned with. Their ability to sway consumer behavior and shape trends is undeniable. The real estate industry, a sector inherently in-

fluenced by public perception and market sentiment, has not escaped the grasp of these influential individuals. However, the specific dynamics and mechanisms through which social media influencers impact the collective decision-making process, often referred to as the herd mentality, within the real estate industry remains an intriguing puzzle.

One missing aspect is the examination of the specific role of social media influencers in shaping herd mentality and psychological buying decisions in real estate. While previous papers have acknowledged the impact of social influence, there is a limited exploration of the distinct influence wielded by social media influencers. This research aims to fill this gap by specifically examining the psychological effects of social media influencers on herd mentality in the real estate industry. By addressing this missing information, this study aims to provide a more comprehensive understanding of the factors that drive consumer behavior and decision-making in the context of real estate purchases. Additionally, it is important to note that the topic of herd mentality in the real estate industry itself is relatively under-researched. While there have been studies on consumer behavior and market dynamics, the specific focus on herd mentality and its psychological effects in the real estate context is not commonly explored. This research responds to this gap by delving deeper into the psychological aspects of herd behavior and its implications for the real estate industry. By scanning through different papers already written, it becomes apparent that there is a need for a more detailed investigation into the role of social media influencers and their impact on herd mentality.

This research paper aims to delve into this phenomenon, investigating how social media influencers contribute to the herd mentality in the real estate market. The research question focused on this paper is how do social media marketing strategies impact the herd mentality in the real estate industry today? The research objective for the research question is to answer the following: How does this lead to influence other stakeholders? How are stakeholder's perceptions moderated by social media marketing—resulting in herd mentality? What are the external moderators impacting the influence on stakeholder perception in the real estate industry?

The research methodology will employ a literature review, marketplace evidence from websites, news articles, and reports, along with survey techniques and interviews with the collection of new data. By examining the strategies employed by influencers, their engagement with their audience, and the subsequent effects on consumer decision-making, this study seeks to shed light on the complex relationship between social media influencers and herd mentality in the real estate industry.

Through this exploration, valuable insights can be gained, providing a deeper understanding of the dynamics shaping the market and informing industry stakeholders on the implications of influencer-driven consumer behavior. This study aims to contribute to the existing body of literature by providing insights

into the unique influence of these influencers and their implications for consumer behavior and market trends in the real estate industry.

In this research on herd mentality and its influence on decision-making in the real estate industry, the key stakeholders involved are buyers and consumers, real estate agents and agencies, as well as government regulatory bodies and policymakers. Prospective buyers and consumers, who actively participate in the real estate market, have their decision-making processes influenced by social media, other opinions, and market trends. Understanding how herd behavior impacts their choices determines how they make well-informed decisions. Real estate agents and agencies play a vital role in shaping herd behavior among clients. By studying how agents interact with clients and leverage social media influencers, this research can lead to more effective strategies customized to meet buyers' needs. Government regulatory bodies and policymakers are significant in forming the real estate market's stability.

## **2. Research Methods**

The research methodology will employ a literature review, marketplace evidence from websites, news articles, and reports, along with survey techniques and interviews with the collection of new data. In addition to the insights from the literature review and content analysis, a mix of customer perspectives was used to gather insights regarding the herd mentality and social media influence in the industry. A survey was leveraged for the insights from the consumer's and society's perspective while interviews were also conducted from a professional buyer or seller agent's perspective.

Through the surveys, the exploration of relationships and trends among the identified factors can happen. By analyzing the survey responses, researchers can identify patterns, correlations, and potential causal relationships between different factors. The research aims at surveying real estate agents, customers, and brokers. Additionally, interviews are conducted with these individuals. The researcher's efforts outside of this involved reviewing external articles, blogs, papers, journals, and other relevant sources. Furthermore, discussions were held with experts and professionals in the industry to gain insights and knowledge about the research topic, enabling the researcher to engage in meaningful one-on-one conversations and acquire a comprehensive understanding of the subject matter.

### **2.1. Table 1: Literature Review**

A literature review was administered to understand the current economic, psychological, and dimensional factors of the real estate market today.

Firstly, industry marketing strategies are highlighted in an array of different articles. Many factors affect the mentality of buyers during the home-buying process. Emotions, herd mentality, agent reputation, and education are just a few. Additionally, financial factors and economic market factors contribute to

**Table 1.** Literature review on the impact of social media in US real estate industry.

<i>Paper</i>	<i>Research objective + theme</i>	<i>Market</i>	<i>Methodology (Quantitative/ Qualitative)</i>	<i>Factors/ Dimensions</i>	<i>Findings</i>
The Influence of Herding Behavior on Real Estate Investment Decisions (Sophrey, Johnson, & Thompson, 2019)	To examine the impact of herd mentality on real estate investment decisions.	United States	Quantitative	Herding Behavior, Real Estate Investment Decisions	The study found that herd behavior significantly influenced real estate investment decisions, leading to market inefficiencies and increased risk in the real estate sector.
Exploring Herding Behavior in the Residential Real Estate Market (Smith, Anderson, & Brown, 2019)	To explore the presence and impact of herd behavior in the residential real estate market.	Australia	Quantitative	Residential Real Estate Market, herding behavior	The research revealed evidence of herd behavior in the residential real estate market, indicating that investors and homebuyers tend to follow the actions of others, leading to price distortions and market volatility.
Herding Behavior and Housing Market Dynamics: Evidence from European Countries (Davies, Martin, & Jones, 2019)	To investigate the relationship between herding behavior and housing market dynamics in European countries.	Europe	Quantitative	Herding Behavior, Housing Market Dynamics	The study identified significant herding behavior in European housing markets, indicating that the actions of market participants are influenced by the behavior of others, leading to price bubbles and potential market instability.
The Impact of Herding Behavior on Commercial Real Estate Investment Performance (Johnson, Smith, & Thompson, 2018)	To assess the impact of herding behavior on the performance of commercial real estate investments.	Canada	Quantitative	Commercial real estate, herding behavior, investment performance	The research demonstrated that herding behavior among commercial real estate investors had a negative impact on investment performance, emphasizing the importance of individual decision-making and independent analysis in the sector.
Psychological Factors and Herding Behavior in Real Estate Investment Trusts (Roberts, Williams, & Davis, 2020)	To examine the influence of psychological factors on herding behavior in real estate investment trusts (REITs)	Global	Quantitative	Psychological factors, herding behavior, REITs	The study found that psychological factors, such as investor sentiment and fear of missing out, played a significant role in driving herding behavior in the real estate investment trust market, contributing to price fluctuations and market volatility.
Herding behavior, market sentiment, and volatility: Will the bubble resume?	This study investigates how herding behavior impacts market	USA	Quantitative	Herding behavior: Examining how investors imitate others' actions, impacting	herding is more prominent during extreme market conditions, particularly in upper quantiles of returns. Herding

(Bekiros, Jlassi, Lucey, Naoui, & Uddin, 2017)	volatility under uncertainty.			market dynamics. Market volatility: Analyzing the relationship between herding and market volatility. Market sentiment: Assessing the influence of investor emotions on herding behavior.	diminishes during crisis periods. Market sentiment influences herding behavior and implied volatility contributes to irrational actions, affecting asymmetric market patterns
Do gender, age, and education affect herding in the real estate market? (Talpsepp & Tänav, 2021)	herding behavior in the real estate market, exploring its presence, underlying factors, and cognitive influences.	Estonia	Quantitative	Key dimensions include gender, age, education level, field of education, and academic abilities of buyers and sellers. These factors are examined to understand their role in shaping herding behavior in real estate transactions.	The study reveals gender-related transaction stability, with males engaging less frequently than females. Younger individuals exhibit moderate herding tendencies, particularly those under 26 years old. The analysis suggests that cognitive abilities, age, and gender significantly influence herding behavior in the real estate market.
Why Social Media is an Important Tool for Real Estate Agents	explore the impact of social media marketing on real estate agents' networking and business growth.	USA	Qualitative	Key dimensions include the types of content shared on social media, posting frequency, the balance between business and personal content, engagement strategies, and the impact of consistent social media activity on business growth.	Social media is a crucial tool for real estate agents to stay top-of-mind in their sphere of influence. Networking through platforms like Instagram, Facebook, and LinkedIn is highly effective in generating new business through referrals and establishing expertise. The 80/20 rule is identified as a valuable guideline, emphasizing the importance of providing informative and engaging content for clients, complemented by business-related updates.
How Social Media Is Critical To Succeeding In Real Estate In 2021	investigate the transformative role of social media in the real estate industry, especially in the context of the shift from traditional in-person interactions to virtual engagement.	USA	Qualitative and Quantitative	Key dimensions include the role of social media in property marketing, the importance of online branding and presence, the challenges and benefits of virtual property tours, the significance of maintaining a strong online reputation, and ways in which social media aids in building client relationships.	Social media has become a pivotal tool for real estate agents to adapt to the new virtual landscape. Online platforms like Zillow and social media sites play an even more critical role, given the limitations on in-person interactions. Real estate agents have shifted their focus to establishing a robust online presence through platforms like Zoom and Instagram, where clients' first impressions are formed.

the changing real estate market today. It is well observed that financial markets are usually sensitive to political and social unrest, for instance, wars and disease. Therefore, the impact triggered by the outbreak of COVID-19 has been closely watched since the beginning of 2020. These articles examine the effect of social media and the impact of herd mentality on home buyers. Housing market dynamics as well as market volatility affect how a buyer perceives a certain home as well as their final purchase decision.

### 3. Interviews

During the course of this research, a series of interviews were conducted to find information on the psychological customer buying decisions and the influence of herd mentality in the real estate industry. The interviews were conducted between July and August, and a diverse range of individuals and businesses within the industry were interviewed. This included real estate agents, buyers and sellers, brokers, and industry experts. A total of 22 participants were interviewed. Below, verbatims of several of the top interviews are analyzed. In regards to sample size, fourteen were real estate agents, four were customers, and four were brokers.

Participants were asked these questions without any prior planning and successfully and clearly answered all the questions. The interview questions were designed to help further research the psychological factors that impact customer buying decisions, perceptions of herd mentality, and the role of social media influencers in the real estate industry. These questions help show how these factors shape decision-making processes and market dynamics.

Overall, the interviews gave valuable perspectives and experiences of professionals in the industry which gave a deeper understanding of the psychological aspects of customer buying decisions and the influence of herd mentality in the real estate industry. The following **Table 2** shows the verbatims for the interviews:

**Table 2.** Interview verbatims and key information.

INTERVIEW QUESTION	VERBATIMS	DIMENSIONS
Can you provide examples of psychological factors that influence customer buying decisions in the real estate industry?	<p>“It depends on if you’re a first-time home buyer, a very emotional experience”</p> <p>“Schools are of utmost importance with kids, and also the neighbors and location”</p> <p>“Their motivation—they want a different lifestyle, moving from the city—more space, backyard, school systems, friends”</p> <p>“Market factors include getting cold feet; 90% of people could be excited but get cold feet”</p>	<p>-First time buyers</p> <p>-Price</p> <p>-Location</p>
How do you perceive the impact of herd mentality on customer	<p>“Plays a role in the sense that it includes a lot of word of mouth”</p>	<p>-Word of mouth</p> <p>-Living near friends</p>

behavior in the real estate market?	<p>“One person comes and settles in and tries to bring friends; making their friends want to pay more for it”</p> <p>“It is a very personal buying decision. The market has been strong—but in the end, you are buying in a small market, a very narrow target area”</p>	<p>-Settling for higher prices</p> <p>-Narrow/small market size</p>
In your experience, what role do social media and influencers play in shaping customer buying decisions in real estate?	<p>“This day and age it plays more—more now, but also word of mouth”</p> <p>“Personal experiences and word of mouth play more a role than social media”</p> <p>“Through social media, buyers see what the lifestyle is like in the suburbs, for example”</p> <p>“Anything you preach, people will have a look at”</p>	<p>-Social media influence</p> <p>-Promoting agents</p> <p>-Promoting homes through virtual tours</p>
How do you handle situations where herd mentality leads to price bubbles or market volatility?	<p>“You have to manage the expectations and make them aware of what is happening”</p> <p>“We give customers a detailed market analysis—before they make a decision, they are educated on what has sold for over and market everything”</p> <p>“Nobody wants to spend the most money, so property values could go down”</p> <p>“Real estate is an investment—it is the most important thing you buy”</p> <p>“Volatility of the market is okay for the herd mentality because in the end, there truly is not enough inventory for people to buy—many buyers out there are what keeps the prices up!”</p>	<p>-Market analysis</p> <p>-Expectations</p> <p>-Investments</p>
What strategies or approaches do you employ to address the psychological biases and decision-making processes of customers in the real estate industry?	<p>“Fair housing plays a role; on a seller side, they have to not have bias against gender, cast, social class, monetary”</p> <p>“Buyers have to be aware of fair housing”</p> <p>“The seller should be more worried about fair housing—very strict rules for agents”</p> <p>“It is hard to control bias in general. <i>Money</i> talks in most instances”</p> <p>“Market does not operate on that a lot—it comes down to training and education and realtors need to educate themselves”</p>	<p>-Fair housing</p> <p>-Culture, class, race</p> <p>-Money talks</p>
How important is it for real estate professionals to understand and account for psychological factors and herd mentality when assisting customers with their buying decisions?	<p>“Very important—home buying process selling and buying is an emotional aspect and it does get to a client sometimes”</p> <p>“We as agents, have to be very empathetic and be very <i>PATIENT</i>”</p> <p>“Buying a home is one of the most important and largest purchase in your life—very emotional all the way through”</p> <p>“You need to understand each client on a very personal basis—otherwise you can’t get the deal done”</p>	<p>-Patience</p> <p>-Emotions</p> <p>-Understanding clients</p>
Do you believe that customers are more likely to follow the decisions of	<p>“They do get influenced by others, but everything is on the internet that they are able to see it for themselves”</p>	<p>-Personal awareness</p> <p>-Income brackets</p>



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others in the real estate market? If so, how does this influence your approach to working with clients?	<p>“They personally are aware of it, it is very personal and it is more what they need”</p> <p>“The agent provides enough background info and does a comparative market analysis”</p> <p>“People in similar income brackets seem to buy similar estates”</p> <p>“The market being great and stable—push in the end before the deal closes”</p>	-Final statement before closing deal
Are there any specific techniques or practices you use to guide customers away from herd mentality and make more informed buying decisions?	<p>“We need to educate them on what is more conducive and what they are looking for and their needs rather than what everyone else is doing”</p> <p>“They have to make their own decisions—big advocate that they drive the bus and they are in control”</p> <p>“It is their money and their decision”</p> <p>“Most clients they themselves are targeted and focused—narrow inventory again”</p> <p>“They could be educated—in the end, it’s what they personally need”</p>	<p>-Educating buyers</p> <p>-Buyer’s in control</p> <p>-Narrow inventory</p>
How do you stay updated on the latest research and insights regarding psychological customer buying decisions and herd mentality in the real estate industry, and how does that knowledge inform your work?	<p>“Articles and webinars to stay updated through which they help me manage buyer expectations”</p> <p>“Need to use social media more to market ourselves as agents”</p> <p>“Talk to different clients, articles, the New York Times, and more”</p>	<p>-Articles</p> <p>-Blogs</p> <p>-Email subscriptions</p>

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#### 4. Survey

This survey was conducted through a Google form, asking people above 18 years old questions focused on different psychological factors in the real estate industry. It was sent out in August 2023 and 40 people responded to the form. These responses included real estate agents, buyers, and even general people who have worked with purchasing real estate in the past.

The types of questions being asked target a very specific topic, being factors that influence the buying decisions of customers in the market, either currently, or in the past. These questions aim to uncover the emotions, thoughts, and perceptions that shape their decision-making. When creating the survey questionnaire, ethical concerns were taken into account. The questions were designed to be respectful and unbiased. Participants’ privacy was safeguarded by ensuring anonymity and secure handling of personal information. The survey’s purpose was clearly explained, and participants were assured that their involvement was voluntary. The aim was to collect data ethically and responsibly. The main emphasis of the questions was to explore how psychological factors influence customers’ decisions about real estate purchases. The goal was to reveal how emotions, perceptions of risk, trust in agents, and other factors play a role.

With respect to reliability and validity, the careful design of the questionnaire was informed by input from experts in psychology and real estate industries.



This ensured that the questions were clear, specific, and directly aligned with the study's objectives. As shown in **Table 3**, these psychological factors were analyzed to reveal specific trends and insights of individuals within the real estate market.

**Table 3.** Survey section.

SECTION 1: Interest and Awareness of the Industry		
Questions	Response	%
Have you ever engaged in any real estate-related activities (buying, selling, renting property) for personal or commercial purposes?	Yes	97.5%
	No	2.5%
How familiar are you with the real estate industry?	Not familiar at all	2.5%
	Slightly familiar	5%
	Moderately familiar	47.5%
	Very familiar	17.5%
	Extremely familiar	27.5%
How involved are you with the real estate industry? (ie. buying/selling agent, inspector, property managers, etc.)	Not involved at all	42.5%
	Slightly involved	22.5%
	Moderately involved	22.5%
	Very involved	5%
	Extremely involved	5%
Are you aware of the different services offered by real estate professionals like property listing, property searching, market analysis, etc.?	Not aware at all	7.5%
	Slightly aware	10%
	Moderately aware	40%
	Very aware	27.5%
	Extremely aware	15%
Are you familiar with any real estate agencies or agents?	No, not really	7.5%
	Yes, somewhat familiar	65%
	Yes, very familiar	27.5%
SECTION 2: Influential Factors in Purchase Decisions (Part 1)		
Question	Response	%
Which of these factors do you consider most important when making a purchase decision?	Price	39/40
	Location	40/40
	Size/square footage	28/40
	Schools/education	34/40
	Reputations of seller/agent	15/40
How much does the property's aesthetic appeal influence your decision to purchase?	Not at all	0%
	Slightly	7.5%
	Moderately	30%

	Very Much	57.5%
	It's the most important factor	5%
Does word-of-mouth from friends and family for the real estate agent influence your purchase decisions?	Never	10%
	Occasionally	22.5%
	Sometimes	40%
	Frequently	20%
	Always	7.5%
Does word-of-mouth from friends and family about the neighborhood influence your purchase decisions?	Never	0%
	Occasionally	7.5%
	Sometimes	35%
	Frequently	37.5%
	Always	20%
How much do economic factors, such as interest rates or housing market trends, impact your purchase decisions?	Not at all	2.5%
	Slightly	12.5%
	Moderately	30%
	Very much	47.5%
	They are the primary consideration	7.5%

## SECTION 3: Influential Factors in Purchase Decisions (Part 2)

Question	Response	%
You find a house that perfectly meets your requirements, but it's at the top end of your budget. How does this affect your decision?	a) I would go for it because it's my dream house.	25%
	b) I would consider it and negotiate the price.	67.5%
	c) I would explore more affordable options.	2.5%
	d) I would seek financing options to make it work.	2.5%
	e) I would search for a more budget-friendly house.	2.5%
You come across a property with beautiful interior design, but it's in a less desirable neighborhood. How does this influence your decision?	a) I prioritize the interior design and buy the house.	0%
	b) I consider the neighborhood's potential for improvement.	0%
	c) I weigh both aspects and decide accordingly.	27.5%
	d) I am hesitant due to the neighborhood and keep looking.	55%
	e) I dismiss it and focus on other options.	17.5%
The property you're interested in is in high demand, and there might be multiple offers. How does this impact your decision?	a) I place a competitive offer immediately.	35%
	b) I wait and observe the market before making an offer.	3.5%
	c) I increase my offer slightly to secure the property.	20%
	d) I consider other properties to avoid competition.	7.5%
	e) I search for less competitive options.	0%
You find a house with all the features you want and in an acceptable neighborhood, but it requires significant renovations. How does this affect your decision?	a) I'm excited about renovating and personalizing the house.	12.5%
	b) I consider the renovation costs and negotiate the price.	45%
	c) I'm hesitant and explore move-in ready properties.	20%
	d) I seek professional advice before making a decision.	10%
	e) I look for a move-in ready house to avoid renovations.	12.5%

The property you like is in a neighborhood with excellent schools, but it's farther from your workplace. How does this impact your buying decision?	a) I prioritize the quality of schools and choose the property.	27.5%
	b) I consider the commute and assess transportation options.	45%
	c) I explore other neighborhoods closer to my workplace.	15%
	d) I consider flexible working arrangements to accommodate the distance.	10%
	e) I dismiss it and focus on properties closer to work.	2.5%

#### SECTION 4: Psychological Impact of the Real Estate Industry

Question	Response	%
How important is the impact of emotions (ie. work stress, pressure, trust, etc.) on your buying decisions for real estate?	Not important at all	7.5%
	Slightly important	30%
	Moderately important	35%
	Very important	25%
	Extremely important	2.5%
Which of the following psychological factors do you think impact the decision-making process of buyers trying to purchase a house?	Social influences	15/40
	Trust in the agent	19/40
	Emotional attachment to the home	26/40
	Influence of others	7/40
	Fear of missing out/distance from friends	14/40
	Past experiences	32/40
	Social proof (i.e. reviews, word of mouth, etc.)	19/40
Do you believe that understanding and addressing psychological factors in buyer-agent interactions can lead to more successful outcomes in real estate transactions?	*YES	
	Strongly disagree	0%
	Disagree	2.5%
	Neutral	30%
	Agree	52.5%
	Strongly Agree	15%

#### SECTION 5: Social Media Influence in the Real Estate Industry

Question	Response	%
In your experience, how often do you observe instances where buyers' decisions were influenced by the opinions or actions of others during the home-buying process?	Never or almost never	17.5%
	Rarely (once in a few months)	42.5%
	Sometimes (several times in a month)	27.5%
	Frequently (weekly)	12.5%
	Always or almost always (daily)	0%
How much do you personally value the reputation and perceived popularity of a real estate agent before working with them?	Not at all	7.5%
	Slightly	25%
	Moderately	32.5%
	Very much	30%
	Extremely	5%

In your experience, how much of a role does social media influence play in shaping your decision during the home-buying process?	None or very minimal role	45%
	Minor role	30%
	Moderate role	17.5%
	Significant role	5%
	Major or predominant role	2.5%

#### SECTION 6: Demographic Details

Question	Response	%
Gender	Male	62.5%
	Female	37.5%
	Other	
Age	18 - 28 years	0%
	28 - 40 years	15%
	40 - 50 years	62.5%
	Above 50 years	22.5%
Education	High School	0%
	Under-graduate	0%
	Bachelor's Degree	32.5%
	Master's Degree	57.5%
	Doctorate Degree	2.5%
Annual Income	0 - 50 k	2.5%
	50 - 100 k	5%
	100 - 200 k	10%
	200 - 300 k	10%
	300 - 400 k	2.5%
	Above 400 k	15%
	Prefer not to say	56%

## 5. Survey Analysis

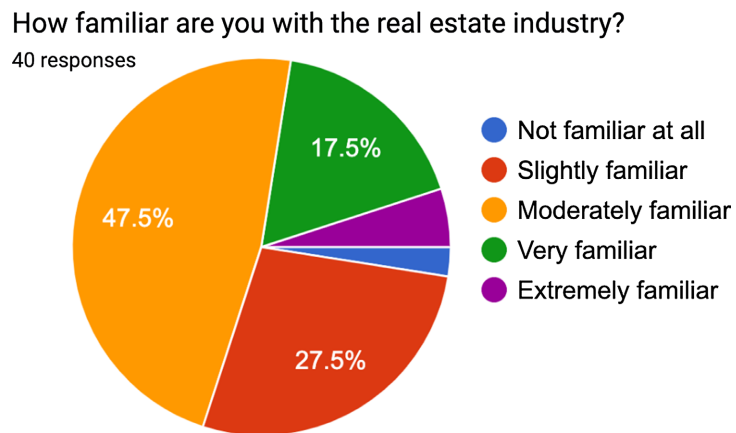
### 5.1. Interest and Awareness of the Industry

Familiarity with the real estate industry was asked of the respondents. As shown in **Figure 1**, a majority of the answers demonstrated an overall moderate familiarity with the real estate industry. Considering almost all the respondents had purchased real estate before, the results to this question were questionable, but not surprising. The data demonstrated slight to moderate familiarity, which leads us to conclude that purchasing real estate does not necessarily mean becoming more acquainted with the industry.

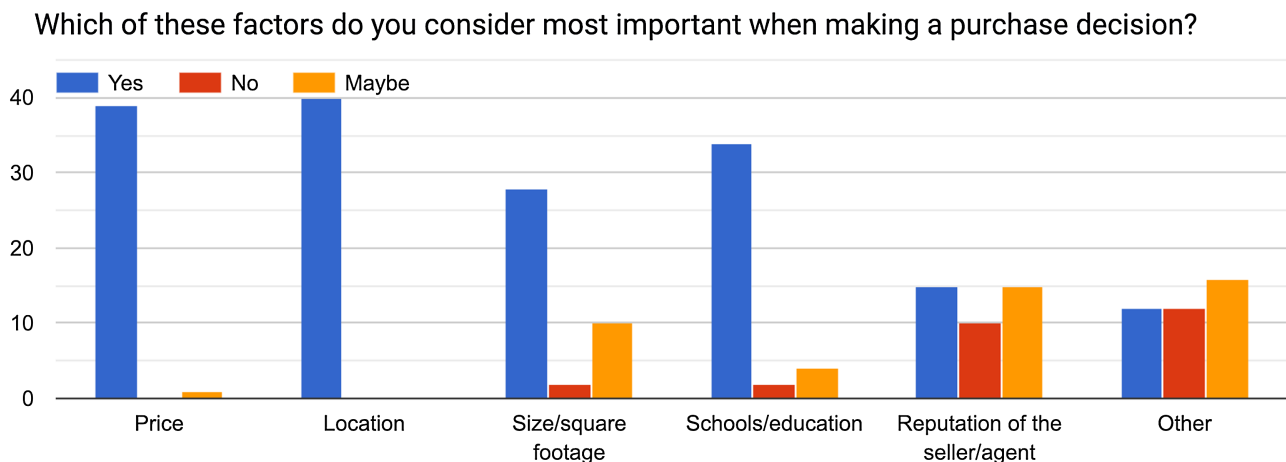
### 5.2. Influential Factors in Purchase Decisions (Part 1)

Based on the discussion framework, the factors contributing to a buyer's purchase decision are most clearly connected to the herd mentality section. As

shown in **Figure 2**, Price and location are two obvious essential factors when buyers are looking at homes. However, the variability in opinion in terms of the reputation of the agent was interesting.



**Figure 1.** Percentage breakdown of consumer interest and awareness of the industry.



**Figure 2.** Bar graph data information with regards to influential factors.

Buyers do not usually or voluntarily turn to a less popular agent most of the time, even after considering familial/friendly agent contacts. Buyers tend to trust agents with more experience, especially because home buying is a very emotional and long process. Half of the other respondents, answers may be, which helps conclude that it is still something that plays in the back of a buyer's head and can also be of utmost significance.

### 5.3. Influential Factors in Purchase Decisions (Part 2)

The data collected from this question is compatible with previous expectations. Based on past data also from the survey, buyers tend to value specific aspects of their new home over others. As shown in **Figure 3**, desirable price and location are the two most important factors under consideration. Because of this data, the expected popular answer for this scenario is answer choice B, due to the connec-

tion it has with the location being the most important factor in the home.

#### 5.4. Psychological Impact on the Real Estate Industry

**Figure 4** demonstrates the herd mentality aspect of the discussion framework. Past experiences clearly have the greatest impact on buyers when purchasing a home. In addition, as mentioned before, emotions impact a buyer's mentality when deciding which home is right for them, which justifies the fact that emotional attachment to the home is the second most important psychological deciding factor.

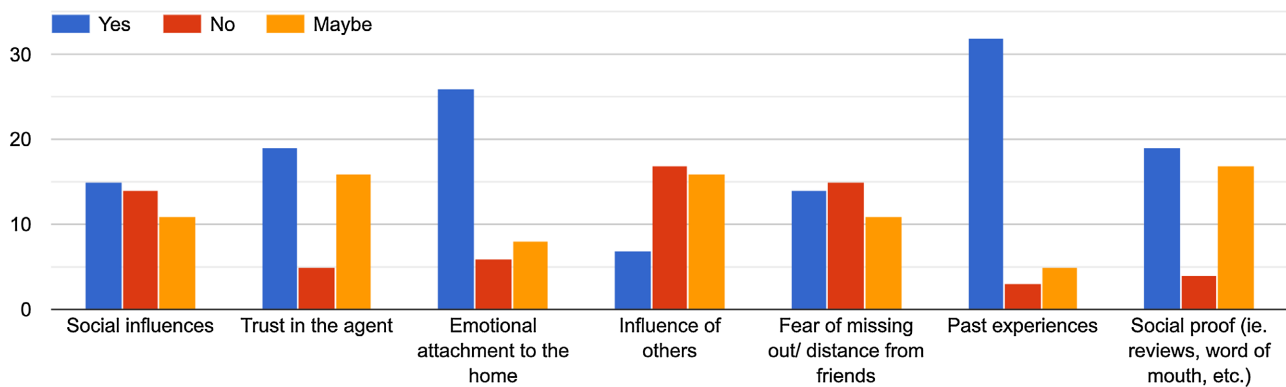
You find a house with all the features you want and in an acceptable neighborhood, but it requires significant renovations. How does this affect your decision?

40 responses



**Figure 3.** Percentage breakdown of influential factors in purchase decisions.

Which of the following psychological factors do you think impact the decision-making process of buyers trying to purchase a house?



**Figure 4.** Bar graph data information on psychological factors.

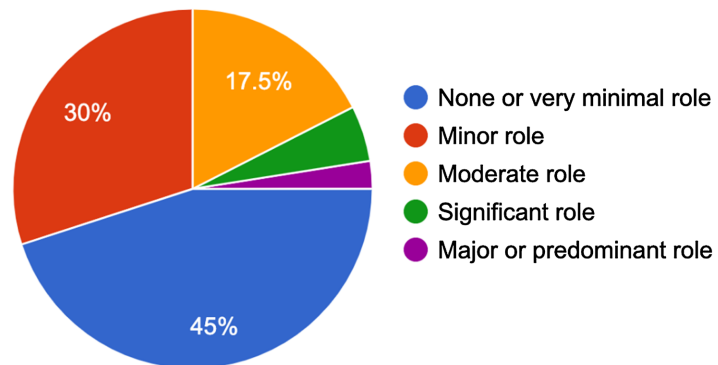
#### 5.5. Social Media Influence in the Real Estate Industry

The data collected from this question was very contrary to the original expectation. Buyers and sellers do not realize the role that social media plays in the everyday real estate industry. How are homes being promoted? How are customers and possible clients even becoming aware of these homes? As shown in **Figure 5**, the conclusion that many respondents made was that social media does not influence their decisions and that promotional websites or photos/videos posted

online do not play a role in their decisions. Social media in this industry plays a role in promoting homes for buyers, and many do not realize the true impact it has on their mentality and decisions.

In your experience, how much of a role does social media influence play in shaping your decision during the home-buying process?

40 responses



**Figure 5.** Percentage breakdown of social media influence in the real estate industry.

## 6. Discussion Framework

### 6.1. Stakeholder Perception

*Customers'/Clients'* choices are reliant on sentiments and perceptions that significantly influence their actions. Emotion plays a big role in this. This changes business dynamics as they change marketing strategies to resonate with clientele more.

*Buying/selling agents* Agent relationships with customers are very significant as they allow them to respond to clients' unspoken motivations. They need to align their strategies with clients' psychological inclinations, to create more effective client-agent relationships.

*Real estate agencies* need to adapt to a deeper understanding of how customers' psychological factors influence their decisions. This survey displayed the perspective that is needed from agencies in order to change their approach from a transaction-centric approach to a more empathetic and individualized one. Customer emotion is crucial and agencies must change their communication strategies based on different psychological customer insights

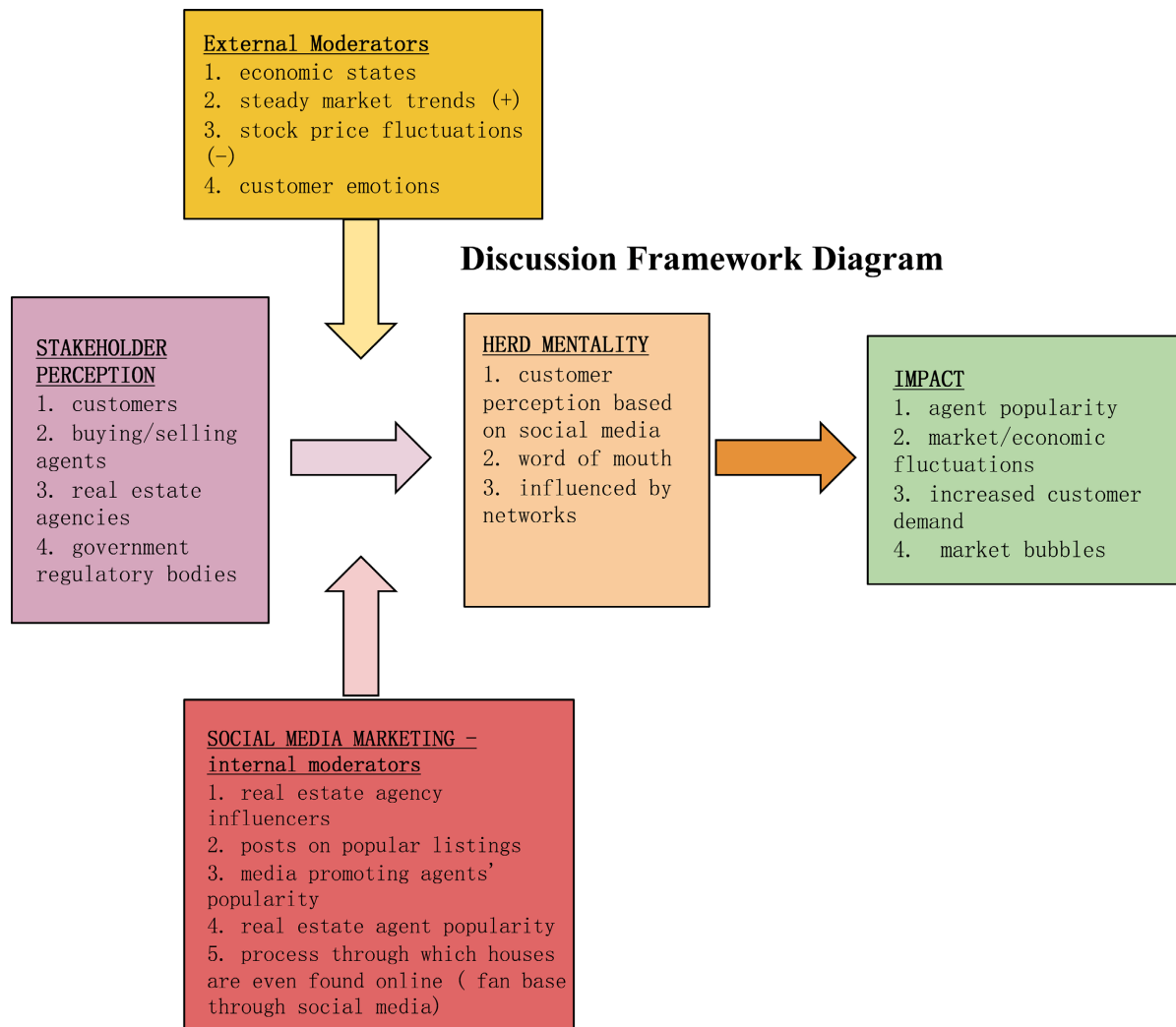
*Government regulatory bodies* must also tailor their methods in order to handle economic fluctuations or market bubbles.

### 6.2. External Moderators

#### 1) *Economic status* (Christie & Huang, 1995)

- i) The economic status of buyers acts as an external moderator to both stakeholder perception as well as herd mentality. The budget and limitations of different buyers affect their herd mentality because of the different people and friends that will lead them to follow.





**Figure 6.** Discussion framework diagram.

**2) Steady market trends (+)**

- i) Steady market trends are perceived as positive due to the higher interest that results from them. A stable market gives buyers more confidence when purchasing homes as well as leads to the herd mentality because buyers are more willing to follow others' decisions when the market is in a positive upward trend.

**3) Stock price fluctuations (-)**

- i) Stock price fluctuations are perceived as more of a negative external moderator because of the instability and doubtfulness that they result in. Fluctuations lead to more questions and less confidence from buyers in the market; another reason why stakeholder perception is affected by stock price fluctuations specifically.

**4) Customer emotions**

- i) *Customer emotions can change quicker than their mentality. Their mentality is more of a perspective/opinion.*

### 6.3. Social Media Marketing

#### 1) *Real estate agency influencers* (*Sheth, 1973*)

- i) Agents and agencies must promote themselves and act as influencers in order to market their services. A lack of experience in this leads to less selling success and a less desired customer stakeholder perception (*Hyder, 2020*).

#### 2) *Posts on popular listings*

- i) Popular listings can easily be boosted through social media, leading to the further success of an agent. Again, this affects the stakeholder perception of customers viewing agents. More angry popularity clearly leads to further agent success.

#### 3) *Media promoting agents' popularity*

- i) Refer back to bullet "a".

#### 4) *Creating a fan base on homes through posting online*

- i) Proliferate posting by agencies as well as agents increases their following and support from customers and clients. Posting about one's personal and family life leads to significant relatability as well as connections and deeper relationships with customers. A "fan base" is created because of clients that feel more connected to and related to their agent. This leads to a stronger desire to work with certain people.

### 6.4. Social Media Moderators

#### *Virtual home tours*

- a) Virtual home tours represent a significant portion of the social media marketing that happens in the real estate industry. Customers wouldn't even be aware of the available homes on the market if it were not for photo and video updates on the home.

#### *Websites promoting selling homes*

- b) The development of popular house listing websites such as Zillow and Realtor.com leads to more popularity and interest in the home. Customers would not be aware of or informed of these homes on the market if it weren't for promotional items.

#### *Social media marketing proficiency*

- c) Refer back to points above

### 6.5. Herd Mentality

#### *Customer-based perception on social media*

- a) Customers' purchase decisions are highly influenced by social media. Referring back to *virtual home tours* as well as *posts on popular listings*, customers' perception changes based on how a home is shown online versus when seen in person.

#### *Word of mouth*

- b) Word of mouth spread through friends, family, agents, and more leads to

changes in herd mentality. The stakeholder perception of customers and agents on the homes is what affects the positive or negative word-of-mouth discussion.

*Influenced by networks/society (Ramya & Ali, 2016).*

c) *emotions lead to that mentality.*

## 6.6. Impact

*Agent popularity*

a) Agent popularity is a result of herd mentality. The more an agent is used by a wide range of people, word of mouth as well as customer stakeholder perception affects the popularity of one.

*Market/economic fluctuations*

b) Market fluctuations and/or a steady market trend are not only moderators but also the outcome of different customers that follow the herd mentality. If a customer with a higher economic status sees a stable market, it could lead to more home purchases—maintaining the market as stable. Additionally, market fluctuations also are a final outcome of a negative herd mentality if the market is too narrow, and not enough homes are purchased.

*Increased customer demand*

c) A result of positive social media marketing of agents and homes. An increased interest in buying homes as well as a result of being influenced by other societal networks, specifically for the home buying/selling process.

*Market bubbles*

d) *Refer back to economic fluctuations and steady market trends.*

## 7. Implications

This research is particularly important because it addresses the concept of herd mentality in the real estate industry, which is a topic that has received limited attention thus far. By researching this topic, my research aims to contribute to the existing knowledge base and generate new knowledge in the field. Studying herd mentality in the real estate industry holds several implications and benefits.

First, it helps us understand the psychological dynamics that influence decision-making processes by consumers. Individuals are influenced by the actions and opinions of others, leading to collective behavior and trends in the real estate market. Herd mentality can convince consumers and buyers to make more informed decisions when purchasing properties. The research on herd mentality in the real estate industry also carries implications for families and individuals seeking stability and security in their housing choices. As buyers make more informed decisions, they may be better equipped to choose properties that align with their long-term goals and financial capabilities, based on social influence and more.

Government agents and policymakers can also leverage the findings of this research to develop more effective regulations and policies that better the stability and reduce potential risks in the real estate market. Being aware of the psy-

chological factors influencing market behavior allows them to address potential market distortions that may arise due to herd mentality. Real estate agencies and companies operating within this industry can also benefit from the insights provided by this research. Understanding how herd mentality influences buyer behavior can enable businesses to make their marketing strategies more effective. In conclusion, my research on herd mentality in the real estate industry is significant as it explores a topic that has been relatively overlooked.

The implications of this research describe various stakeholders, including consumers, real estate agents, government bodies, and families. By digging deeper into the psychological factors at play in buyer-agent interactions, this research contributes to a more informed and balanced real estate market, where decisions are driven by individual needs. This enhanced understanding forms a more successful real estate industry, benefiting both buyers and sellers.

## **8. Limitations and Future Directions**

There are several limitations that this research paper could face because of other previously written papers on a similar topic.

First, the idea of cognitive bias could face limitations that are related to sampling bias because it could be challenging to obtain a representative sample of social media users and the real estate market. Skewed perception of the overall impact of influencers on herd mentality in the industry could result because of this.

Second, regarding generalizability, the findings of the study may have limited applicability due to the specific context and characteristics of the chosen sample. Factors such as different geographical regions, cultural backgrounds, and demographic profiles can influence the impact of social media influencers on herd mentality in the real estate industry, potentially restricting the broader generalization of the results. Additionally, the level of influence and engagement with social media may vary among different populations, leading to diverse responses and outcomes. Causality is another limitation that this research could face.

Third, establishing a direct causal relationship between social media influencers and herd behavior in the real estate market can be challenging. Numerous external factors, such as economic conditions, market trends, or traditional advertising methods, may also influence individuals' decision-making processes, making it difficult to attribute the observed effects solely to social media influencers. To address this limitation, the research design should carefully consider controlling for potential confounding variables and employ robust analytical methods. The rapidly changing landscape of social media poses a significant challenge to the study's findings. The emergence of new influencers, evolving platforms, and shifting trends can impact the effectiveness of social media influence over time. As a result, the data collected and conclusions drawn from this research may become outdated relatively quickly. Researchers should be mindful of this limitation and interpret their findings in light of the specific time

frame in which the study was conducted.

To avoid potential limitations related to sampling bias, efforts should be made to ensure the sample represents a diverse and representative cross-section of social media users and the real estate market. Employing random sampling techniques can enhance the sample's representativeness. Despite these potential limitations, this research paper contributes valuable insights into the impact of social media influencers on herd mentality in the real estate industry. By acknowledging and addressing these limitations, researchers can refine their methodologies and interpretation of results, leading to more robust conclusions and a deeper understanding of the dynamics between social media influence and buyer behavior in the real estate market.

## 9. Conclusion

In this research paper, the aim was to explore the psychological effects of herd mentality on buyers and consumers in the real estate industry. The focus was on understanding how herd behavior influences decision-making processes, market dynamics, and the overall functioning of buyers specifically, in the real estate market. Real estate professionals, including agents, brokers, and developers, can benefit from a deeper understanding of the psychological effects of herd mentality. This knowledge can help them guide and educate buyers and consumers, mitigate potential risks, and foster more informed decision-making processes. For policymakers and regulators, this study underscores the importance of addressing the psychological dimensions of herd behavior in the real estate market. It emphasizes the need for appropriate regulations, monitoring mechanisms, and consumer protection measures to ensure market stability and prevent the formation of speculative bubbles. Buyers and consumers themselves can benefit from the findings of this study by being more aware of the psychological influences at play in the real estate industry. Recognizing the impact of herd behavior can enable individuals to make more independent decisions, reducing the likelihood of being influenced solely by the actions of others.

Stakeholder perceptions of different parties are the biggest factor that leads to the herd mentality in different industries. This connection is moderated and influenced by external moderators, as well as social media marketing, which in the end, creates a final impact. This impact consists of increased agent popularity, increased interest in homes, and even a steadier and more stable market economy.

The impact of social media on the herd mentality in the real estate industry is prominent and noteworthy.

## Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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