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**REAL ESTATE AGENTS AND CONSUMER SERVICE:
THE MARKET REVISITED**

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***Abstract:** Research into consumer perceptions of the service offered by real estate agents has tended to be ad hoc and spasmodic, or conducted by organisations who regard the results as commercially sensitive. Consequently, despite high public interest and consumer group criticism about the quality and cost of services offered by real estate agents, consumer research findings are seldom released into the public arena. One notable exception has been the research conducted for the Real Estate Institute of New Zealand at regular intervals over the past decade. A random selection of recent buyers and sellers is mail surveyed and asked to provide opinions about the quality and cost of services offered to them by real estate agents with whom they had contact during their purchase/sale transaction. Surveys were conducted in 1990, 1994, 1997, and again in 2000. The 2000 survey was based on a random selection of 4500 recent users of residential real estate services in the cities of Auckland, Christchurch and Dunedin, and the provincial regions of Wanganui/Manawatu and Waikato/Bay of Plenty/Gisborne. The findings have now been published by the Institute and have attracted considerable interest from real estate practitioners, academics and the public at large. This paper examines and discusses the findings of this latest survey and also explores comparisons with findings from the previous three surveys.*

INTRODUCTION

Real Estate agents in New Zealand continue to enjoy a tightly controlled monopoly in real estate sales, bolstered by a statutory licensing regime established under the Real Estate Agents Act (1976). Approximately 90% of all residential properties in New Zealand are sold through real estate agents. Over recent times successive governments have indicated a strong desire to free up the existing monopoly by allowing new competitors, such as lawyers and conveyancers, into the property sales arena. These moves, along with intense interest displayed by media and consumer groups, have focussed attention on the often-expressed negative public perception of real estate agents. The governing body for real estate agents, the Real Estate Institute of New Zealand, holds deep concerns over both the move toward deregulation and the negative public image of real estate agents. Over the past few years the Institute has been pro-active in meeting the criticism of the real estate industry by offering an alternative view. The Institute regularly releases articles of an informative and more positive nature for publication by newspapers and magazines. In addition, consumer research commissioned by the Institute is designed to provide useful feedback to both members and the general public on opinions of recent users of real estate agency services. The 2000 consumer research report (Crews and Dyhrberg, 2000), the prime focus of this paper, is the latest in the Institute's regular series, which is based on a model developed by Baen (1992) for international comparison of real estate service quality. The publicly released findings, whilst reflecting some mixed results, do tend to bolster the Institute's case. The findings also confirm those of Baen, and others, (Crews, 1989 and 1993; Crews and Wilkinson, 1998; Consumers Institute, 1992, 1996 and 2000), i.e. recent users/consumers of real estate services have a higher opinion of real estate agents¹ than the public at large. Comparison of the 2000 results with those of 1997 (in particular), 1994 and 1990 also reflect signs of a significant improvement in consumer perceptions of many aspects of real estate service quality. Three further nation-wide comparative surveys, conducted by the Consumers Institute of New Zealand in 1992 and 1996 and 2000, are also referred to in the paper.

METHODOLOGY

The Real Estate Institute of New Zealand commissioned the Department of Finance, Banking and Property, Massey University to conduct a national survey on the quality of service offered by real estate agents to home buyers and sellers. The Institute's instructions were to undertake a mail survey on a sample of buyers in three of the country's major cities – Auckland, Christchurch and Dunedin, and two regions – Waikato/Bay of Plenty/Gisborne and Manawatu/Wanganui. The survey was to be based on similar research conducted for the Institute in 1990, 1994 and 1997. The same

¹ In New Zealand, the legal definition of a real estate "agent" is the person or company with a licence to operate a real estate business. The "agent" employs salespeople, usually as independent contractors, who commonly deal with buyers and sellers. In this paper the term "agent" is used to refer to both agents and salespeople, as the general public, responding to surveys, rarely make a distinction between the two.

three cities were sampled in the 1994 and 1997 surveys, whilst Wellington rather than Christchurch was sampled in 1990. The two regions (Manawatu/Wanganui and Waikato/Bay of Plenty/Gisborne) have been added to the survey for the first time for the purpose of broadening the previously confined city based sample.

Sample

The sample frame consisted of recent buyers of residential real estate in the cities of Auckland, Christchurch and Dunedin – Sample Group A, and the two regions, Waikato/Bay of Plenty/Gisborne and Manawatu/Wanganui – Sample Group B. From the sample frame's total of 9932² confirmed residential dwelling sales reported in the REINZ Sales Statistics from June-August 2000 a computer generated random sample of 4500 properties was selected. The sample was based on the relative proportion of sales concluded in the three cities (Sample Group A) and the two regions (Sample Group B) over the period. The total sample consisted of 2142 (47.6%) properties in Auckland, 638 (14.2%) in Christchurch, 220 (4.9%) in Dunedin, 1081 (24%) in Waikato/Bay of Plenty and 419 (9.3%) in Manawatu/Wanganui. Each city/region's sample was further proportionally split between residential house sales and units/townhouse/apartment sales.

Questionnaire

The survey questionnaire was based on the questionnaire developed by Baen (1992) and previously used in the 1990, 1994 and 1997 surveys. On the instructions of the Institute an additional question was added to the 2000 questionnaire (Buyers' survey question 9). Modifications to the questionnaire have traditionally been restricted in order to ensure the validity of survey comparisons. Questionnaires were mailed on 12 October 2000, addressed to the occupiers of the 4500 selected properties included in the sample. Each questionnaire included an explanatory letter, a set of guidelines for respondents and a Freepost envelope for returning the questionnaire.

Data Collection

Of the 4500 questionnaire mailed out to the survey sample a total of 1139³ responses had been received by 22 December 2000. 5 responses were blank, or unusable. Valid responses totalled 1134 (25.2% of sample size). Auckland responses totalled 499 (44% of valid responses), Christchurch 177 (15.6% of valid responses), Dunedin 63 (5.6% of valid responses) Waikato/Bay of Plenty/Gisborne 283 (24.9% of responses) and Manawatu/Wanganui 112 (9.9% of valid responses). Respondents who were renting their properties totalled 25 (2.2% of valid responses) leaving 1109 responses (24.6% of the sample) available for further analysis. All of these respondents completed the "Home Buyer Survey" section of the questionnaire. 52.4% (582) of respondents also completed the "Seller's Survey" section of the questionnaire, i.e. they responded as both buyers and sellers. Ten further responses, received after the close-off date of 22 December 2000, were unable to be included in the analysis.

² REINZ Residential Sales Statistics record total dwelling sales for New Zealand June-August 2000 as 16,172.

³ 204 questionnaires were also returned by New Zealand Post marked "no such address".

RESULTS AND DISCUSSION

The following are highlighted extracts from the results of the 2000 consumer survey. Full results are available in the Real Estate Institute of New Zealand's Real Estate Consumer Survey Report (Crews and Dyhrberg, 2001). For the purpose of enhancing the validity of comparison with previous surveys, the 2000 findings exclude the responses from Sample Group B, i.e. the two regions.⁴ Findings are compared with the 1990, 1994 and 1997 survey findings and reference to other publicly available research is also included. Due to the unavailability of raw-data from the 1990 and 1994 surveys statistically significant differences with the findings of those surveys cannot be analysed. Comparative results with 1990 and 1994 consist of descriptive statistics only. However, statistically significant differences between the 1997 and 2000 are analysed using the Mann-Whitney U non-parametric test at a 95% confidence level. The Mann-Whitney test results are included in the following extracts.

Buyers' Section

Sample Group A – Auckland, Christchurch, Dunedin

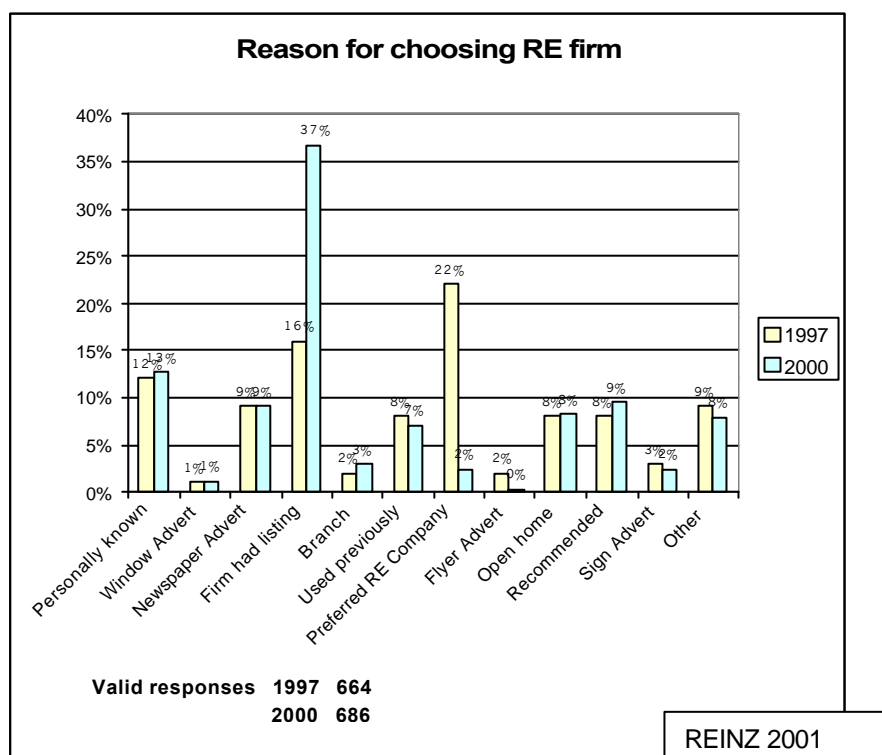


Figure 1: Buyers' survey Q1 Why did you choose the real estate firm you dealt with?

⁴ Mullins (2001), in his paper on real estate customer opinions, has focused on the 2000 survey and completed a comparative study of the cities and regions (Sample Group A and Sample Group B).

37% (254) chose the firm because it had the listing, 13% (89) knew someone in the firm personally and 9% (62) of the chosen firms were recommended. When open homes (8%), used firm previously (8%) and chose branch of preferred firm (3%) are added then 78% of respondents chose their real estate firm because it had the service, people or product (home) that they wanted. In other words 78% of buyers were reacting to “pull” rather than “push” marketing, such as advertising. Differences in the response coding of this question prevent a direct comparison between the current and previous surveys. However, re-grouping of past findings indicate that 76% of buyers were also reacting to “pull marketing” in 1997, 75% in 1994 and 72% in 1990. The current survey reflected an apparent “switch” in sellers’ highest ranking from “Preferred R E Company to “Firm had Listing”. The survey consultants (Crews and Dyhrberg, 2000) hold the view that this may be a result of reinterpretation of the question by respondents.

Johnson, Nourse and Day (1988) report findings to a similar question in an exhaustive North Carolina study. They explain that consumers select an agency as follows:-

- the individual salesperson is more important than the firm in the selection of an agency.
- knowing a salesperson is the principle factor in the selection of a firm; and
- consumers rate the salesperson characteristics (selling ability, competence, integrity, market knowledge and ability to understand client needs) as very important.

Sample Group A – Auckland, Christchurch, Dunedin

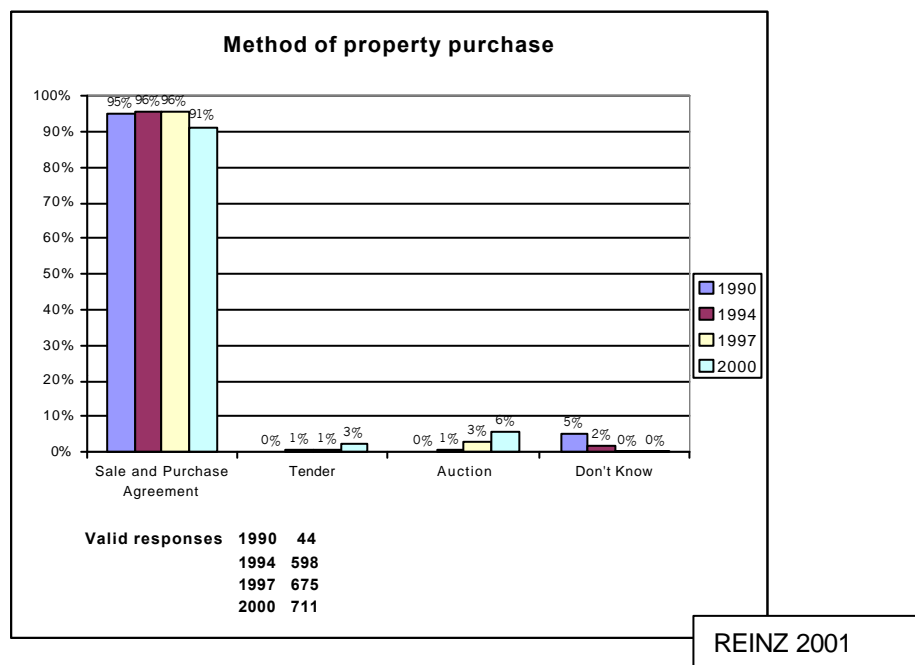


Figure 2: Buyers’ survey Q5 Under what method did you purchase your property?

91% (647) of buyers reported purchasing their homes through the standard method of a Sale and Purchase Agreement, whilst 3% (21) reported purchasing through Tender and 6% (43) through Auction. The current findings record an increase in the percentage of buyers reporting purchase by Auction or Tender. However, as recorded in the 1997 findings, the percentages remain low, a finding that was unexpected in view of the continued high profile of residential auction marketing. It is possible that some respondents who reported their purchase through the standard Sale and Purchase Agreement may have done so as part of an auction marketing programme but not actually “under the hammer”.

The survey findings are supported by a study of 1350 home buyers and sellers conducted by the Consumers Institute of New Zealand (2000). Only 7% of seller respondents reported selling through Auction. In a preceding study the Consumers Institute (1996) found 5% sold through Auction and 2% through Tender.

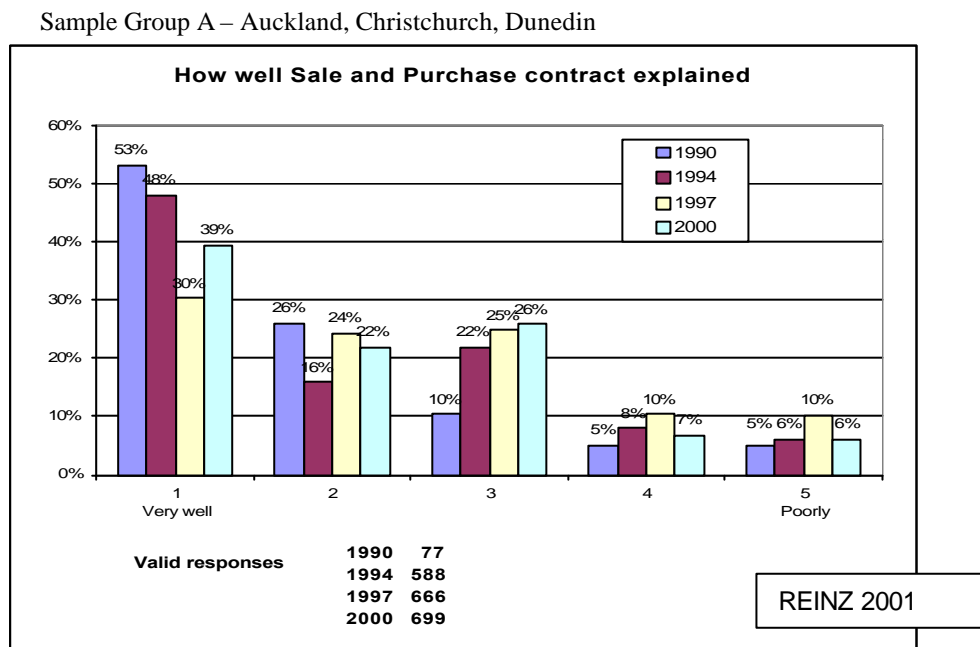


Figure 3: Buyers’ survey Q 6 How well was the contract for Sale and Purchase explained?

39% (273) reported the Sale and Purchase Agreement as being very well explained, whilst 6% (42) reported it as poorly explained. 61% of respondents (grouping scales 1 & 2) found the agreement to be “well” or “very well” explained. Comparison of these findings with the 1997 survey indicates a reversal in the upward trend of purchasers who had previously reported dissatisfaction with the explanation they received from their agent. In 1990, 1994 and 1997 53%, 48% and 30% of respondents respectively reported the Sale and Purchase Agreement as being very well explained whilst 5%, 6% and 10% respectively reported it as being poorly explained. When comparing 2000 to 1997 results, buyers report a statistically significant improvement in the standard of the agent’s explanation of the sale and purchase agreement.

Sample Group A – Auckland, Christchurch, Dunedin

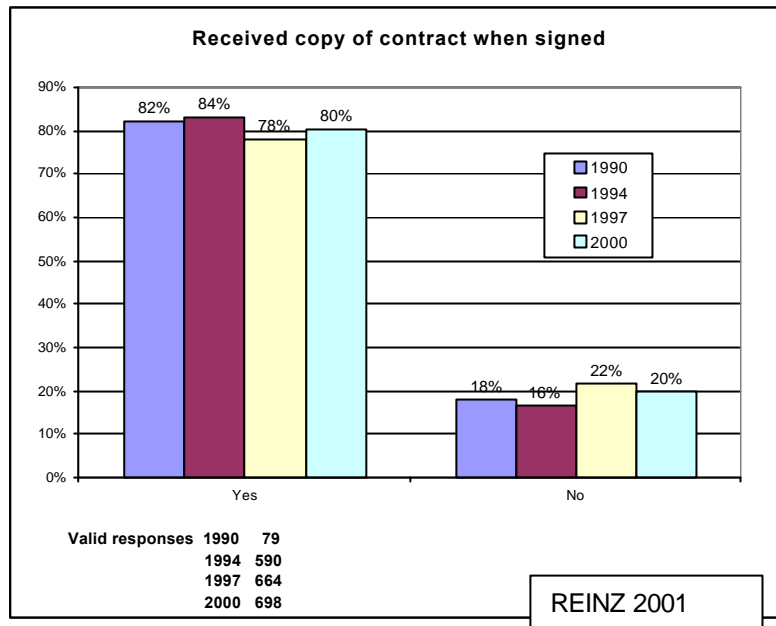


Figure 4: Buyers’ survey Q7b Did you receive a copy of the [Sale and Purchase] contract at the time you signed it?

80% (558) of buyers received a copy of the contract at the time of signing and 20% (140) did not. This result reflects a minor improvement on the 1997 findings when a reduction in the percentage of agents who were providing a copy of the Sale and Purchase Agreement at the time of signing was reported. Indications are that, over the past decade, a substantial minority of agents servicing the survey sample remain in breach of the Real Estate Agents Act, Section 65. This finding may be linked to earlier reports of high sales-staff turnover rates within the industry (Keys, 1988 1990 1991; Livingston, 1991 and Crews, 1992). Livingston and Crews, in separate studies of the New Zealand real estate sales-force, reported significant percentages of salespeople with less than one year’s service. The potential downstream effects of high staff turnover are lower levels of skill and experience, which may lead to a poorer understanding of the requirements associated with documents such as the Sale and Purchase Agreement.

Sample Group A – Auckland, Christchurch, Dunedin

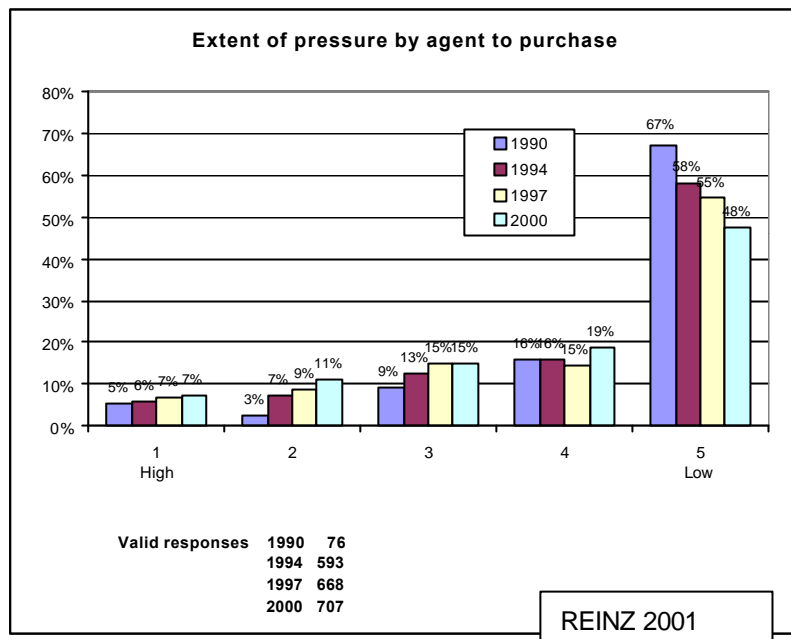


Figure 5: Buyers’ survey Q10 To what extent did you feel pressured into making the purchase by the agent?

7% (50) reported pressure by agent to purchase as high whilst 48% (339) reported pressure as low (less than 50% for the first time since the survey commenced). The findings confirm a downward trend over the decade in the percentage of respondents who perceived low pressure from the agent to purchase. Comparison of these findings with the previous surveys indicates more buyers perceiving higher pressure from the agent and less buyers perceiving pressure to be low. 18% of respondents (grouping of Scales 1 & 2) perceived pressure to be high or above average, more than double the 8% reported in 1990. When comparing 2000 results to 1997, buyers report a statistically significant increase in the extent of pressure applied by agents to purchase.

Sample Group A – Auckland, Christchurch, Dunedin

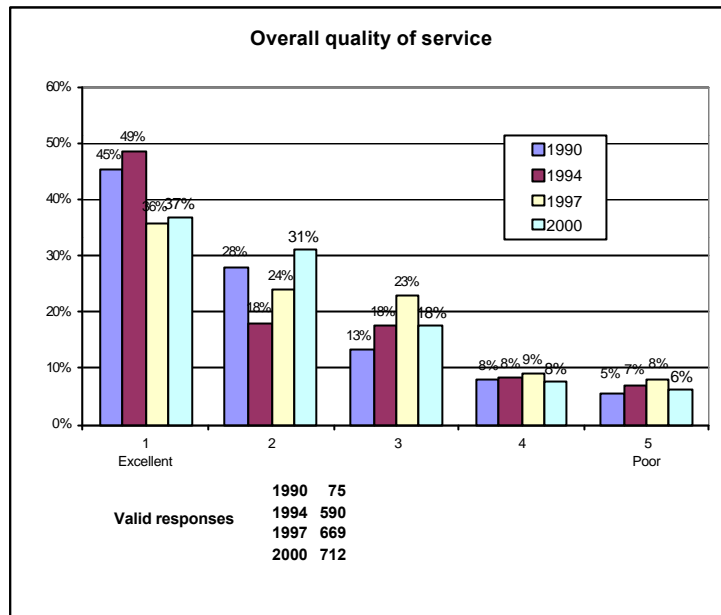


Figure 6: Buyers’ survey Q11 As a buyer, how would you rate the quality of overall service provided by the agent?

37% (263) of buyers reported the agent’s overall service as excellent while 60% (427) reported the agent’s service as poor. 68% (484) of buyers felt that the service was average or excellent (grouping of scales 1 & 2). A comparison of these findings with the previous surveys indicates a small lift in the percentage of buyers who felt the overall quality of service was excellent and a slight reduction in the percentage of buyers who felt it was poor. The percentage of buyers who felt that the service was either excellent or above average (68%) can be compared more closely to the more favourable results recorded earlier in the decade (1990, 73%; 1994 67%). Buyers’ perceptions of the personal service they received whilst purchasing their home is substantially more favourable than their general perception of the real estate industry. Comparing the above findings to those for Question 12b (Figure 7) the majority of buyers were satisfied, or more than satisfied, with the quality of their agent’s service despite their unfavourable general perception of the industry. When comparing 2000 results to 1997, buyers report a statistically significant improvement in the quality of overall service provided by the agent.

Interestingly, the Consumers Institute (1996) reported that almost 90% of buyers in their survey who used an agent would recommend it in preference to purchasing privately.

Seiler, Webb and Whipple (2000), in their Midwest American study of real estate service quality, sound a note of warning about consumer questions relating to overall service. They state that order bias may arise when the question is placed at the end of a questionnaire, rather than at beginning.

Sample Group A – Auckland, Christchurch, Dunedin

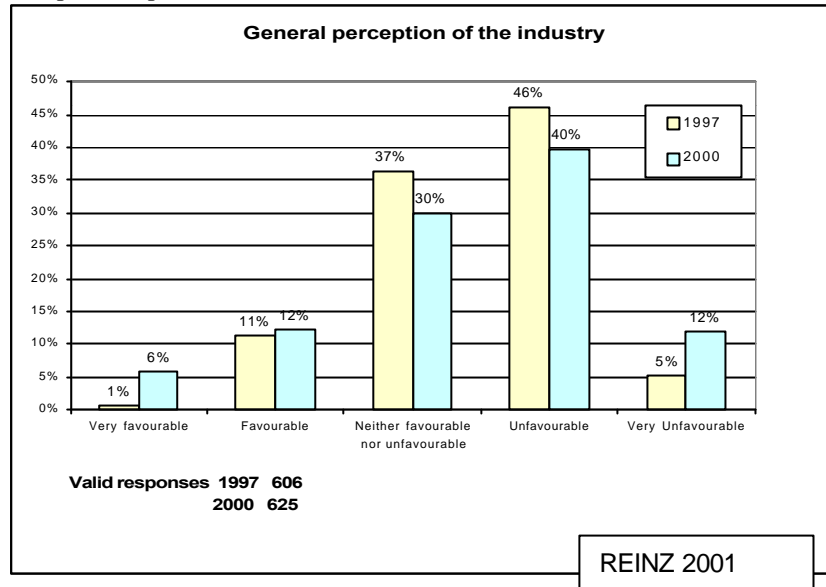


Figure 7: Buyers' survey Q12b How do you perceive the real estate industry in general?

6% (38) of buyers reported their general perception of the real estate industry as very favourable, 12% (75) as favourable, 30% (187) as neither favourable nor unfavourable, 40% (250) as unfavourable and 12% (75) as very unfavourable. Note that buyer responses to this question were grouped and coded into the above five-point scale by the survey consultants. The results reflect some evidence of an increase in “clustering” at either end of the spectrum, i.e. a greater percentage of buyers reported a very favourable or very unfavourable perception of the industry when compared to 1997. Despite these findings, buyers’ perceptions of the personal service they received whilst purchasing their home is significantly more favourable than their general perception of the real estate industry. Comparing the above findings to those for question 11, the majority of buyers were satisfied, or more than satisfied, with the quality of their agent’s service despite their unfavourable general perception of the industry. These findings are also consistent with other consumer research on the real estate industry, i.e. whilst public perception of the industry has often been reported as poor, the majority of recent users of real estate services report favourably on the service they received.⁵ These findings are also consistent with other consumer research on the real estate industry. Consumers Institute, (1992 1996 2000); Baen, (1992); Crews, (1993).

⁵ This question was not included in the 1990 and 1994 surveys.

Sample Group A – Auckland, Christchurch, Dunedin

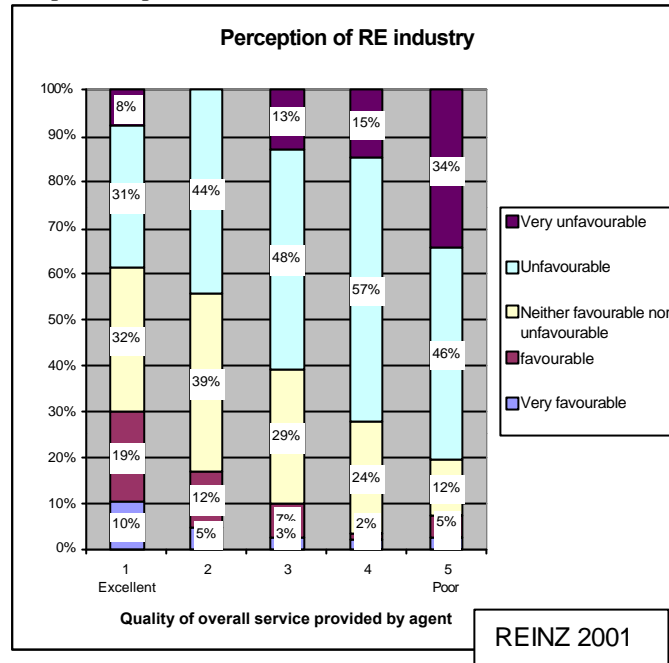


Figure 8: Buyers’ survey Q11 by Buyers’ survey Q12b Agents overall service by general perception of the industry.

The above chart explores the relationship between seller responses to question 11 and 12b. Similar to the 1997 findings, buyers who rated the overall service of their agent as above average or excellent were more inclined to report a favourable perception of the real estate industry. The reverse also applied, with greater emphasis, i.e. buyers who rated the overall service of their agent as below average or poor were strongly inclined to report an unfavourable or very unfavourable perception of the real estate industry. There is some evidence of further polarisation of views amongst buyers who reported receiving poor service. 80% (77%, 1997) of this group reported an unfavourable or very unfavourable perception of the real estate industry.

Sample Group A – Auckland, Christchurch, Dunedin

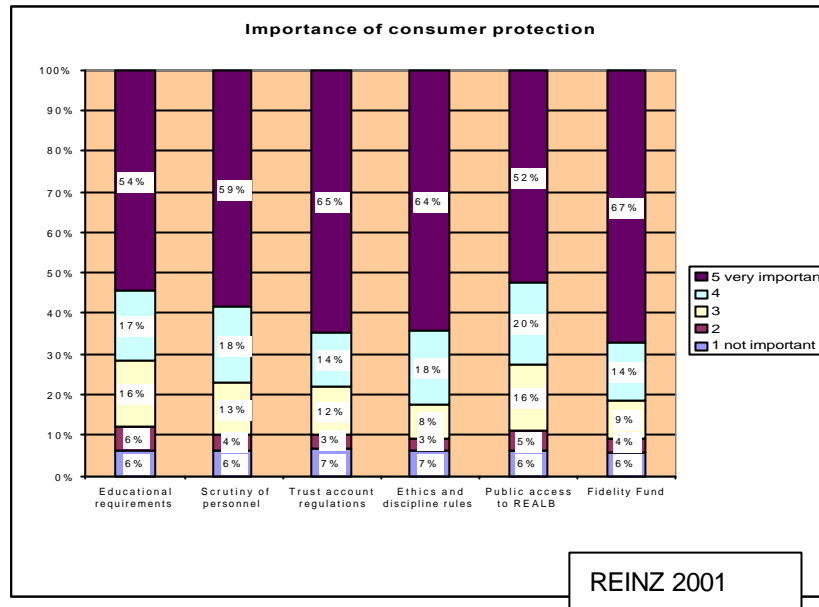


Figure 9: Buyers’ survey Q15b (summary) What importance do you place on the [consumer protection] requirements [as offered by licensed real estate agents]?

Buyers were asked to rate their importance of specific consumer protections as listed in question 15a. The above chart summarises buyer responses to the question. Buyers rated the specific protections as “very important” in a range of 52-67% [57-68%, 1997]. The range lifts to 71-82% [73-81%, 1997] when points one and two on the scale are grouped as “importance” ratings. Significantly, a range of only 6-7% [4-7%, 1997] of buyers rated the specific protections as “not important “. The highest “importance” rankings were assigned to Fidelity Fund, followed by trust account regulations and rules for ethics and discipline. The same three specific consumer protections were assigned highest “importance” rankings in 1997, albeit in reverse order.⁶ As reported in the 1997 findings (Crews and Wilkinson, 1999) responses to this question carry perhaps the strongest consumer message in the survey. Despite parliamentary moves toward occupational de-licensing and industry deregulation, consumers still strongly support prescriptive measures of protection.

Further Highlights in Buyer Findings

- 67% of buyers regarded the professional conduct of their agent as excellent or above average.
- The previously reported (Crews, 1999) trend continues for buyers to view more homes before making a decision to purchase.

⁶ This question was not included in the 1990 and 1994 surveys.

- Buyers record a statistically significant decline in the percentage of the asking price paid when purchasing their home.
- There is evidence of a slowdown in residential property price increases over the past decade.

Sellers' Section

52.4% (582) of all respondents to the questionnaire also completed, or partially completed, the “Sellers’ Survey” section of the questionnaire, i.e. they responded as both buyers and sellers. For the purpose of enhancing valid comparison with previous results the following findings, extracted from the “Sellers’ Survey”, are confined to Sample Group A (Auckland, Christchurch and Dunedin). 49% (351) of Sample Group A completed or partially completed the “Sellers’ Survey section of the questionnaire.

Sample Group A – Auckland, Christchurch, Dunedin

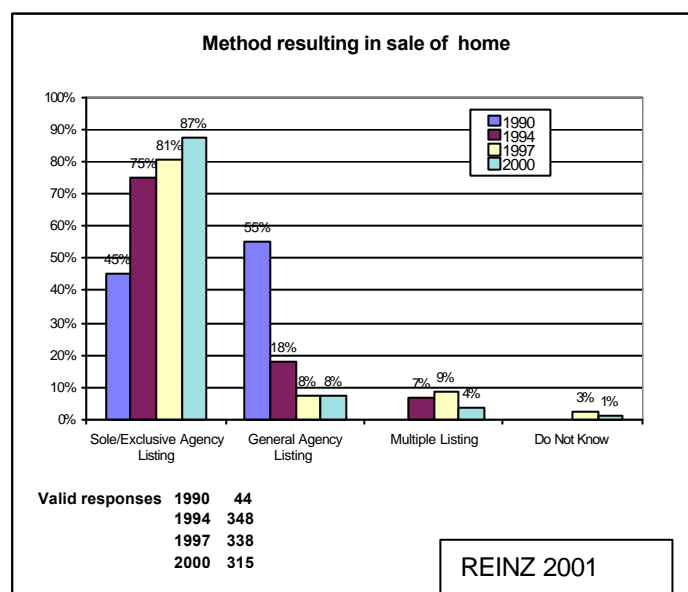


Figure 10: Sellers’ survey Q3 What method resulted in your home selling?

87% (274) reported a sale using a Sole/Exclusive listing compared to 12% (38) selling under a General or Multiple listing. Comparisons with previous surveys confirm not only the marked and consistent growth in Sole/Exclusive listings over the past decade but also the level of success achieved for sellers when compared to alternative methods. The Consumers Institute (1996 and 2000) survey findings support these results with 69% of seller respondents reporting a successful sale through Sole/Exclusive Agency in 1996 and 79% in 2000.

Sample Group A – Auckland, Christchurch, Dunedin

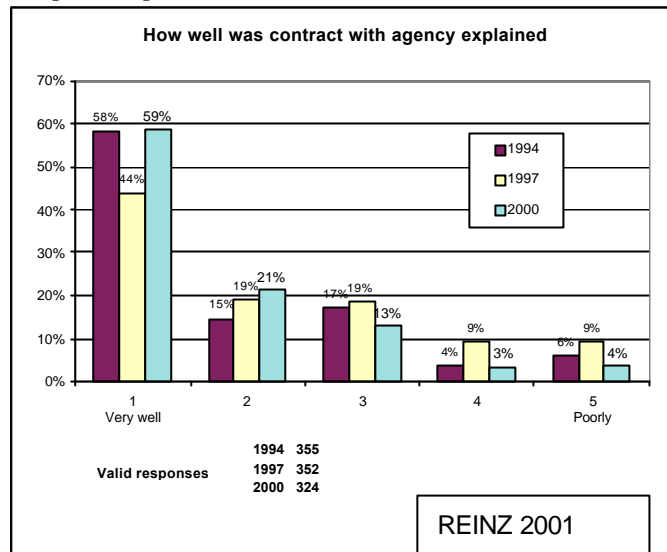


Figure 11: Sellers’ survey Q4a How well was the contract with the agency explained to you?

59% (191) of sellers reported the contract of agency as very well explained whilst 4% (13) reported it as explained poorly. 80% (grouping scales 1 & 2) reported an above average level of “satisfaction” with the explanation compared to 7% reporting a below average “satisfaction.” Comparison with the 1997 findings indicates a marked recovery in the positive nature of the findings, i.e. more agents are taking the time to provide an effective explanation of the listing (see 1994 findings). The response findings also share a link with those reported in question 4b - (see explanation next page).⁷ When comparing 2000 results to 1997, sellers report a statistically significant improvement in their level of satisfaction with the agent’s explanation of the contract of agency.

⁷ This question was not included in the 1990 survey.

Sample Group A – Auckland, Christchurch, Dunedin

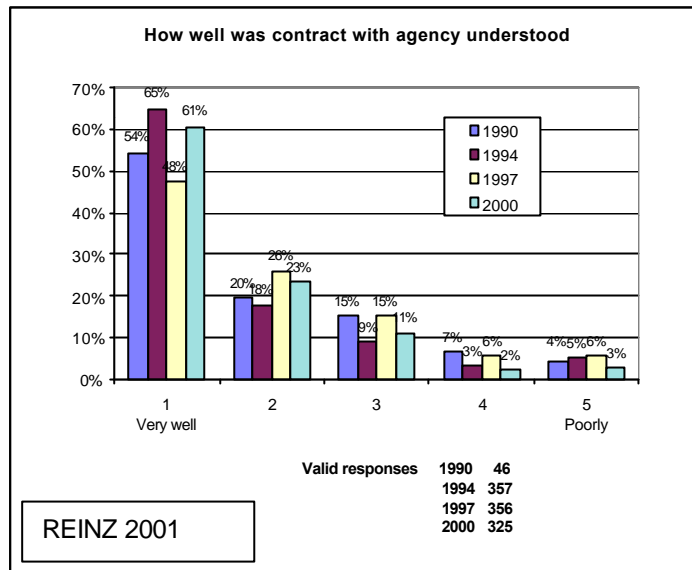


Figure 12: Sellers’ survey Q4b How well did you understand the contract with the agency?

61% (198) of sellers reported the contract of agency as very well understood whilst 3% (10) reported it as poorly understood. 84% (grouping scales 1 & 2) reported an above average level of “satisfaction” with the explanation compared to 5% reporting a below average “understanding.” Comparison with the 1997 results (less than 50% at that time felt the agreement was very well explained) indicates a marked recovery in the positive nature of the findings (see 1994). The response findings to question 4a and 4b) share a link (see chart and explanation on preceding page). When comparing 2000 results to 1997, sellers report a statistically significant improvement in their level of understanding of the contract of agency.

Sample Group A – Auckland, Christchurch, Dunedin

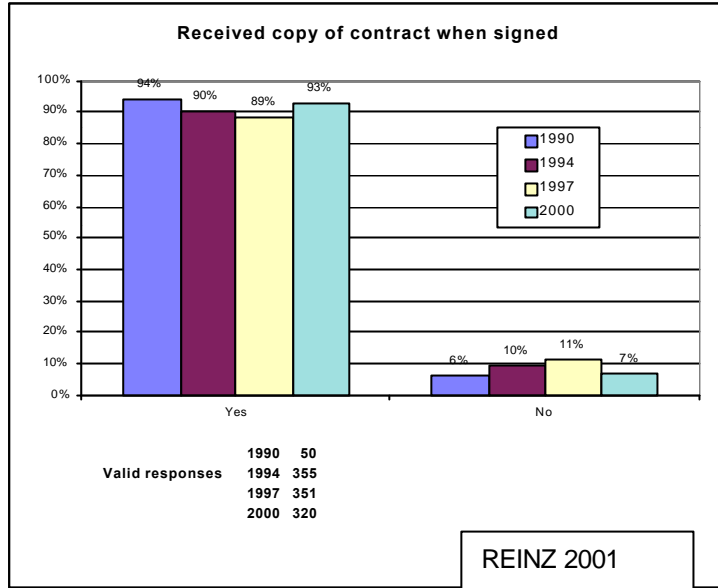


Figure 13: Sellers’ survey Q5 Did you receive a copy of that [agency] contract when you signed it?

93% (298) of sellers received a copy of the contract of agency at the time of signing and 7% (22) did not. Comparison with the 1997 results, and then with previous results, once again indicate an encouraging recovery in the positive nature of the findings, i.e. the trend over the decade for less agents to provide a copy of the listing contract at the time of signing appears to have been reversed. However a minority of agents servicing the survey sample appear to remain in breach of the Real Estate Institute’s Rule 21 (c). The findings may also share a link with those reported in Question 7b (Figure 4) in the Home Buyers’ Survey which indicate that a substantial minority of agents are not providing a copy of the Sale and Purchase Agreement to buyers at the time of signing.

Sample Group A – Auckland, Christchurch, Dunedin

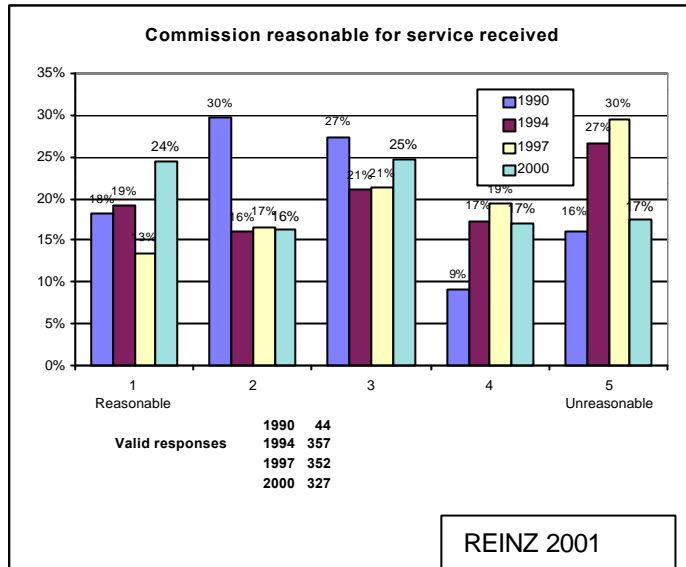


Figure 14: Sellers’ survey Q7 To what extent do you feel, for the service provided, the agent’s commission on the sale of your home was reasonable?

24% (78) of seller respondents felt that the agent’s commission was reasonable whilst 17% (23) felt that it was unreasonable. 55% (grouping scales 1 & 2) of respondents reported feeling positive about the agent’s commission whilst 34% (grouping scales 4 & 5) reported feeling negative. When comparing 2000 results to 1997, sellers report a statistically significant improvement in their levels of satisfaction with the commission charged.

In view of the market environment that existed during the period that the 2000 survey was conducted, this finding was somewhat unexpected. Residential property prices had been softening for some time and agents were finding it difficult to meet seller’s expectations on both price (see third bullet point at top of p 23) and length of time on the market. Agents are commonly negatively associated with failure to meet seller expectations (Crews, 1989 and 1993). Media and consumer groups are also critical of the fees that agents charge (Consumers Institute (2000)). It appears reasonable to link this improved level of sellers’ satisfaction with the commission charged to findings of improved levels of satisfaction with the standard and quality of service reported in the Sellers’ Section of the survey, i.e. more sellers are perceiving added value from the service received.

The finding reflects a significant recovery from 1997 results, when comparison with 1990 and 1994 surveys indicated a significant increase in seller dissatisfaction with commission rates paid for services provided. Crews, in two earlier comparative pilot studies (1989 1993), also reported an increase in seller dissatisfaction with commission rates, although the majority of respondents in both of those studies were satisfied that commissions represented value for money. Generally, consumers are becoming more sophisticated and demand value for money. Home sellers are no exception and

agents need to ensure that sellers perceive commission rates as reflecting the level of service delivered.

Sample Group A – Auckland, Christchurch, Dunedin

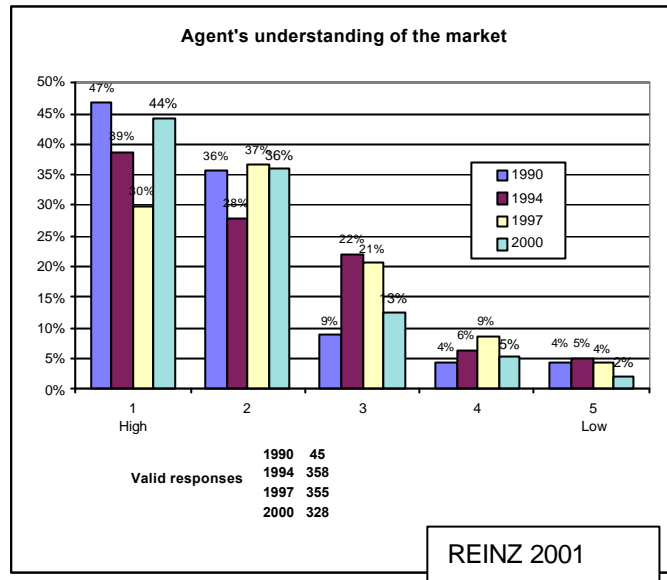


Figure 15: Sellers' survey Q9 How well did the agent reflect an understanding of the market?

44% (156) of sellers reported their agent as having a high understanding of the market whilst 2% (7) reported their agent as having a low understanding. 80% (grouping of scales 1 & 2) of sellers reported agents as having an “above average” understanding whilst 7% of sellers (grouping of scales 4 & 5) reported agents as having a “below average” understanding of the market. When comparing 2000 results to 1997, sellers report a statistically significant improvement in their perceptions of agents' understanding of the market.

Sample Group A – Auckland, Christchurch, Dunedin

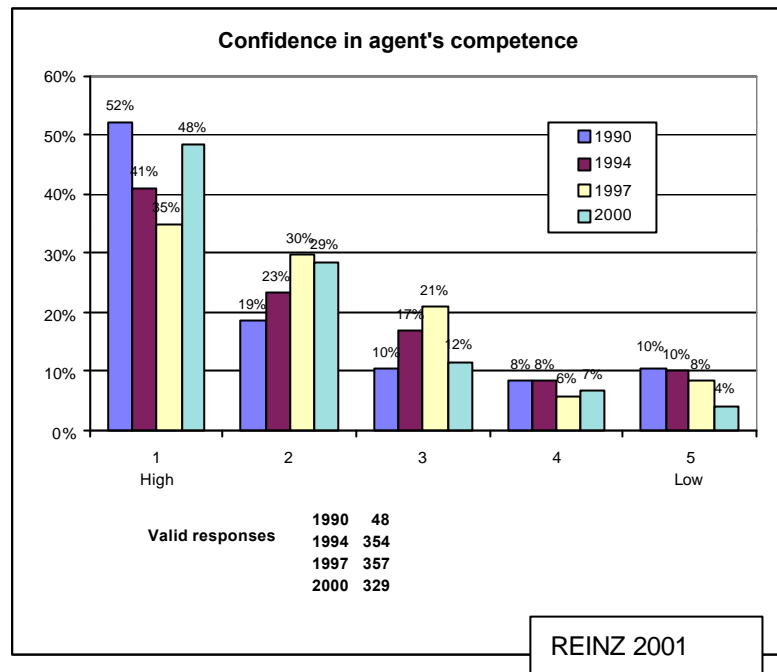


Figure 16: Sellers’ survey Q10 To what degree did you have confidence in the competence of your agent?

48% (158) of sellers reported that they had high confidence in their agent’s competence whilst 4% (13) reported low confidence. 77% of sellers reported “confidence” in their agent when points one and two of the scale are grouped together. When comparing 2000 results to 1997, the findings reflect a statistically significant improvement in the sellers’ reported levels of confidence in their agent.

The validity of comparisons with 1990 and 1994 may be questionable as the wording of the question was changed in 1997. The words “faith and trust” were replaced with “competence.”

Sample Group A – Auckland, Christchurch, Dunedin

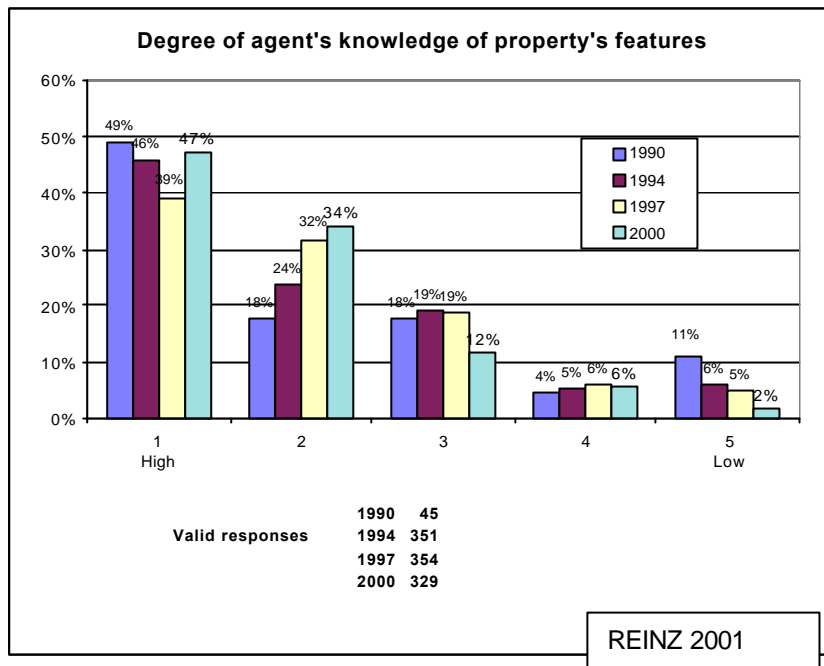


Figure 17: Sellers’ survey Q11 To what degree did the agent/agents showing your property have a knowledge of the features that your property had to offer?

47% (157) of sellers reported that their agent/agents had a high degree of knowledge of the property’s features whilst 2% (7) reported knowledge as low. 71% of sellers (grouping of scales 1 & 2) reported their agent/agents’ knowledge as “above average” and 8% (grouping of scales 4 & 5) as “below average.” When comparing 2000 results to 1997, the findings reflect a statistically significant improvement in sellers’ perceptions of their agent/agents’ property knowledge.

The trend over the decade for fewer sellers to report agents as having low property knowledge continues with the current survey.

Sample Group A – Auckland, Christchurch, Dunedin

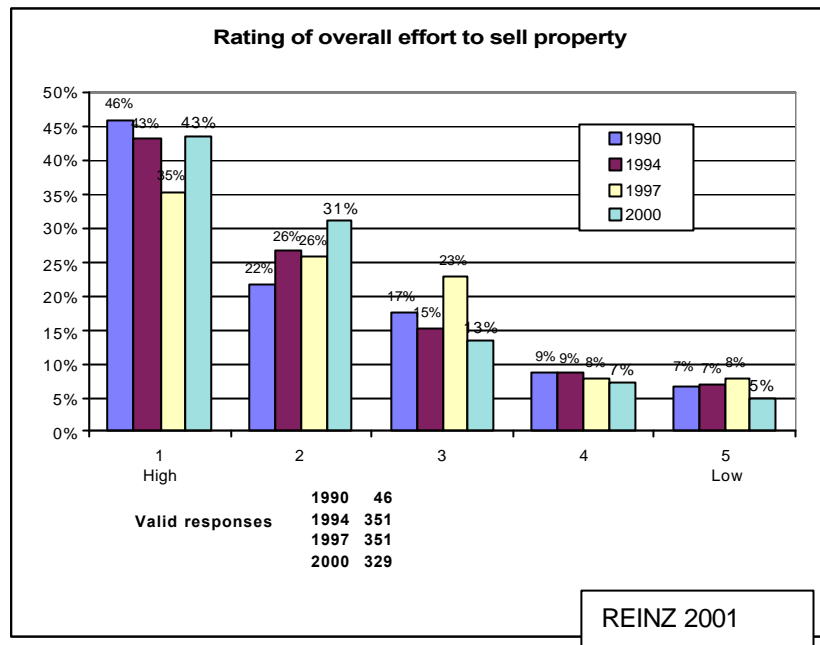


Figure 18: Sellers’ survey Q12 To what degree do you feel that all that possibly could have been done to sell your home was done?

43% (141) of sellers reported a high degree of feeling that all possible was done to sell their home whilst 5% (16) reported a low degree of feeling that all possible was done. 74% (grouping of scales 1 & 2) of sellers rated overall effort as “above average” whilst 12% (grouping of scales 4 & 5) rated it as “below average.” When comparing 2000 results to 1997, the findings reflect a statistically significant improvement in sellers’ perceptions of overall effort to sell the property.

The 2000 findings also reflect a reversal in an earlier trend for sellers to hold negative perceptions about overall effort to sell.

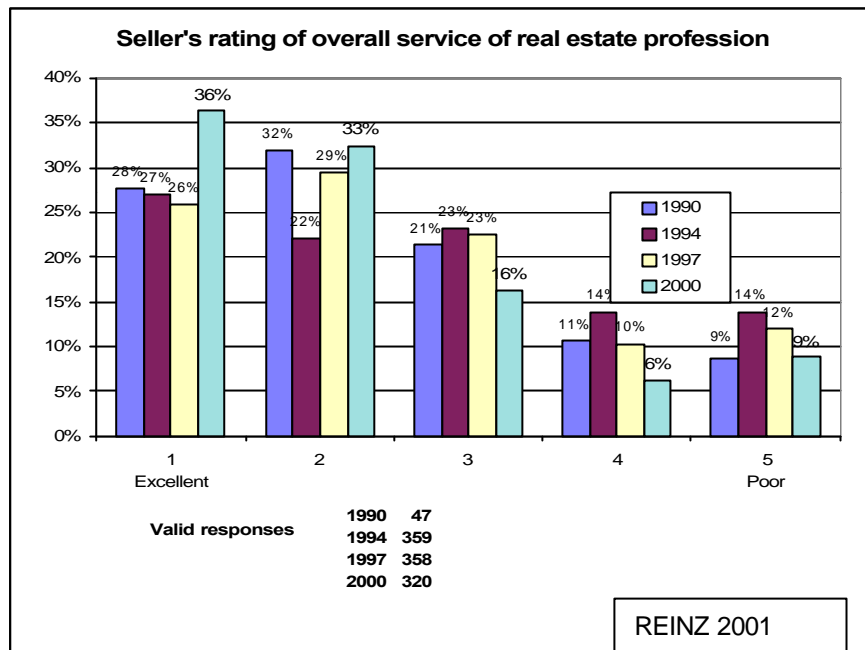


Figure 19: Sellers’ survey Q18 As a vendor how would you rate the quality of overall service shown to you by the Real Estate profession?

36% (115) of sellers rated the overall service provided by the real estate profession as excellent whilst 9% (29) rated the service received as poor. 69% (220) of sellers felt that the service was either above average or excellent (grouping of scale points one and two). 15% (48) of sellers felt that the service was below average or poor (grouping of scale points four and five). A comparison of these findings with the previous surveys indicates the highest rating to date both in “Excellent” and “Above Average” overall service and the lowest rating of both “Poor” and “Below Average” overall service reported by sellers. When comparing 2000 results to 1997, the findings reflect a statistically significant improvement in sellers’ perceptions of the quality of overall service provided by the real estate profession.

Seiler, Webb and Whipple (2000), in their Midwest American study of real estate service quality, sound a note of warning about consumer questions relating to overall service. They state that order bias may arise when the question is placed at the end of a questionnaire, rather than at beginning.

Further Highlights in Seller Findings

- An increasing number of sellers are using a different agent for sale and purchase. Sellers’ reasons for using a different agent were linked to buyers’ choices of their firm, i.e. the firm/agent is chosen on the basis of service, people or product (home, in the case of buyers) that they wanted.

- The primary reasons for selling were confirmed as buying a larger house, upgrading property, better locality and lower maintenance. These were the same primary reasons for selling as reported in 1997 (Crews, 1999).
- Sellers recorded a statistically significant decline in the percentage that considered selling privately. The main reasons given for not trying were hassle, time and agency expertise.
- Sellers recorded a statistically significant decline in the percentage of asking price received.
- More sellers are using more than one firm during the marketing period but fewer are using more than three.
- Whilst the majority of sellers were unaware of the industry's consumer protection requirements a significant majority rated the requirements as important or very important. There was little difference in the findings to this question in both the buyers and sellers sections. Identical results were recorded in the 1997 survey (Crews (1999)).

SUMMARY AND CONCLUSIONS

The Real Estate Institute of New Zealand remains committed to conducting regular consumer surveys, and to releasing the findings for public consumption. Against a background of a paucity of research focusing on the real estate industry, the survey findings continue to provide valuable insights into consumer perceptions of the standard and cost of services offered by New Zealand real estate agents. Whilst the 1997 survey reported generally lower real estate consumer satisfaction levels than evident in previous surveys, on the whole the 2000 results reflect significant improvements in consumers' satisfaction when compared to 1997. However, comparison with earlier surveys in the series would suggest that some of the improvement was in the nature of recovery off the lows reported in 1997. When buyers and sellers in the 2000 survey were asked for their opinions on aspects of real estate services provided, statistically significant improvements in satisfaction levels were recorded in the responses to a number of key questions. For example, buyers reported statistically significant improvement in rating of "explanation of the Sale and Purchase Agreement", and "overall service provided by the agent." Sellers reported statistically significant improvements in rating of "explanation of the contract of agency", "understanding of the contract of agency", "satisfaction with the commission charged", "agent's understanding of the market", "agent's knowledge of property's features", "overall effort to sell the home", and "quality of overall service demonstrated by the Real Estate profession." The 2000 findings, in keeping with the 1997 finding, also confirmed that recent users have a higher opinion of the service offered by real estate agents than does the public at large.

The 2000 findings did reflect some negative results. For example, buyers recorded a statistically significant increase in the “extent of pressure applied by agents to purchase.” As in 1997, a substantial minority of agents is also failing to provide a copy of the Sale and Purchase Agreement to buyers at the time of signing.

The findings continue to confirm that buyers continue to choose a real estate firm because the firm had the service, people or product (home) that they wanted, and that the majority of sellers were satisfied with the overall service provided by the real estate profession.

Crews (1999) cites Baen (1992), the initiator of the Institute’s series of surveys, as stating “.....one characteristic of a profession is that members genuinely care about the public perception of them as a group and desire to improve their standards of performance in terms of delivering a better quality of service at a competitive and reliable price” (p 3). In reporting on the 1997 results Crews (1999) also expresses the view that “the real estate industry in New Zealand (assuming it accepts the mantle of a profession) should be concerned at any reverse trend in consumer perceptions, such as those indicated by many of the comparative findings in the 1997 study” (p 18). Referring to the move towards de-regulation he suggested that it was then timely for real estate agents to examine and, where appropriate, improve, their service performance levels. Whilst there is no direct evidence in the 2000 survey findings to establish a causal link between improved delivery of service by real estate agents and significantly improved levels of consumer satisfaction, anecdotal evidence exists to suggest the possibility of such a link. For example, there is an increasing interest amongst industry leaders and a growing number of real estate agencies in monitoring and managing the quality of service delivery to consumers. The Real Estate Institute of New Zealand is also actively encouraging this development.

McGregor (2001), commenting on the survey, suggests that it has produced some satisfying conclusions for real estate agents and their personnel, particularly salespersons. However, he suggests that there are “brickbats” amongst the “bouquets” and he urges agents to view the results as a whole, rather than focusing on the high points. Nonetheless, there are many encouraging signs of improved consumer satisfaction for an industry that attracts much negative attention from both consumer groups and the media. It remains for the next survey to confirm that those levels of satisfaction are not only consistent and sustainable but also capable of further improvement.

Limitations

A number of limitations relating to this study are readily acknowledged:-

- (i) the survey consultants were left with the dilemma of using the same questionnaire as used in the previous surveys (1990,1994 and 1997) surveys or modifying and updating it where appropriate. For example, the wording in some questions could have been improved or updated. The decision to confine changes to a minimum was made on the basis of maintaining robustness and validity of survey comparisons.

- (ii) the survey findings were confined to Sample Group A, three of New Zealand's major cities, Auckland, Christchurch and Dunedin. This decision was also related to the validity of comparison with past surveys. However, the inclusion of two provincial areas in the 2000 sample will improve the level of national representation in on-going comparative studies. The inclusion of other cities and provincial areas within the sample frame of future surveys would further enhance that representation.
- (iii) due to the unavailability of raw-data pertaining to the first two surveys (1990 and 1994) statistical analysis for these two surveys is limited to descriptive statistics. The use of additional statistical techniques, e.g. testing for significant differences, were available from the 1997 survey onward. The availability of this technique is expected to further enhance validity of the survey findings.
- (iv) respondents in the study were confined to those who had successfully concluded a buying and/or selling transaction. Possible associations between transactional success and high levels of satisfaction may contribute to bias in the findings.

Future Research

In common with much of the research employed to measure consumer perceptions of product or service providers, this study offers initial answers to some questions but also raises new issues and new questions. In their US mid-west study of consumer perceptions of real estate agents Nelson and Nelson (1988) highlight the paucity of available literature on real estate consumer perceptions and the difficulties faced by researchers in the exploratory phase. Little has changed in the intervening years, although academics and practitioners have continued to make contributions to the existing body of knowledge in a less sporadic way. It remains for future researchers to continue to build on the body of knowledge, to investigate new issues raised and to encourage the Real Estate Institute to continue its well-established regular survey of the market (perhaps with variations to the sample frame). Other issues that would provide an interesting focus for further exploratory research include:

- (i) potential correlation between perceptions of service quality held by providers (real estate agents) and recipients (buyers and sellers).
- (ii) using a sample frame that includes market participants apart from those who were successful in completing a transaction through a real estate agent, e.g. private buyers and sellers, buyers and sellers who were unsuccessful in completing the transaction, and buyers and sellers of commercial, industrial and rural properties.

Researchers have increasingly focussed attention on the New Zealand real estate profession in recent years. There is a growing awareness amongst industry leaders of the benefits that can accrue, through increased understanding, from the expanding body of knowledge on the real estate profession. It is hoped that this paper will provide further impetus for future research, particularly in the vitally important area of the quality and cost of consumer services offered to buyers and sellers of real estate.

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