REAL ESTATE AGENTS AND CONSUMER SERVICE: 
BUYERS AND SELLERS HAVE THEIR SAY 

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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 reasonably regular intervals over the last decade. A random selection of recent buyers and sellers from three of New Zealand’s major cities 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 the purchase/sale transaction. Surveys were conducted in 1990, 1994, and again in 1997. The 1997 survey was based on a random selection of 3000 recent users of residential real estate services in the cities of Auckland, Christchurch and Dunedin. The findings have now been published 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 two surveys.

INTRODUCTION 

Approximately 90% of all residential properties in New Zealand are sold through real estate agents who enjoy a tightly controlled monopoly in the marketplace, backed by mandatory licensing under the Real Estate Agents Act (1976). Recent moves in parliament to free up the monopoly by allowing new competitors into the property sales arena have re-focused attention on the negative public perception of real estate agents often expressed through the media and consumer groups. Concerns over the move toward deregulation and the negative public image have prompted the Real Estate Institute of New Zealand to pre-empt criticism
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 regularly commissioned by the Institute is designed to provide useful feedback to both members and the public on opinions of recent users of agency services. The 1997 consumer research (Crews and Wilkinson, 1998), 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 findings, most of which have now been released into the public arena, reflect mixed results for the purposes of bolstering the Institute’s case. The findings do confirm those of Baen, and others, (Crews, 1989 and 1993: Consumers Institute, 1992 and 1996), i.e. recent users/consumers of real estate services have a higher opinion of real estate agents than the public at large. However, comparison of the 1997 results with those of 1990 and 1994 reflects a growing dissatisfaction with some aspects of real estate service quality. Two further nation-wide comparative surveys, conducted by the Consumers Institute of New Zealand in 1992 and 1996, are also referred to in the paper.

METHODOLOGY

The Real Estate Institute of New Zealand commissioned the Department of Finance and Property Studies, 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. The survey was to be based on similar research conducted for the Institute in 1990 and 1994. The same three cities were sampled in the 1994 survey, whilst Wellington rather than Christchurch was sampled in 1990.

Sample

The sample frame consisted of recent buyers of residential real estate in the cities of Auckland, Christchurch and Dunedin. From the sample frame’s total of 8709 confirmed residential dwelling sales reported in the REINZ Sales Statistics from July-September 1997 a computer generated random sample of 3000 properties was selected. The sample was based on the relative proportion of sales reported in the three cities over the period. The sample consisted of 2068 (68.9%) properties in Auckland, 747 (24.9%) in Christchurch and 185 (6.2%) in Dunedin. Each city’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 used in the 1990 and 1994 surveys. On the instructions of the Institute a number of questions were added to the 1994 document and some respondent guidelines were modified to assist in enhancing response rates. Modifications to the questionnaire were restricted in order to ensure the validity of survey comparisons. Questionnaires were mailed on 6 November 1997,

1 Legally, in New Zealand, 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.

2 REINZ Residential Sales Statistics record total dwelling sales for New Zealand July-September 1997 as 20,828.
addressed to the occupiers of the 3000 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 3000 questionnaires mailed out to the survey sample a total of 729 responses had been received by 30 January 1998. 12 responses were blank, or unusable. Valid responses totalled 717 (23.9% of sample size). Auckland responses totalled 480 (66.9% of valid responses), Christchurch 179 (25% of valid responses) and Dunedin 58 (8.1% of valid responses). Respondents who were renting their properties totalled 26 (3.6% of valid responses) leaving 691 responses (23% of the sample) available for further analysis. All of these respondents, except one, completed the “Home Buyer Survey” section of the questionnaire. 53.4% (369) of respondents also completed the “Seller’s Survey” section of the questionnaire, i.e. they responded as both buyers and sellers.

RESULTS AND DISCUSSION
The following are highlighted extracts from the results of the 1997 consumer survey. Full results are available in the Real Estate Institute of New Zealand's Real Estate Consumer Survey Report (Crews and Wilkinson, 1998). Where appropriate, findings are compared with the 1990 and 1994 survey findings and reference to other publicly available research is also included. Due to the unavailability of raw-data from the previous two surveys statistically significant differences between the findings could not be analysed. Comparative results consist of descriptive statistics only.

Buyers’ Section

22% (146) chose the firm out of preference, 16% (107) because the firm had the listing, and 12% (81) knew someone in the firm personally. When open homes (8%), recommendations, (8%), used firm previously (8%) and chose branch of preferred firm (2%) are added then
76% of respondents chose their real estate firm because it had the service, people or product (home) that they wanted. In other words 76% 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 indicates that 75% of buyers were also reacting to “pull marketing” in 1994 and 72% in 1990. Johnson, Dotson and Day (1988) reported partially supporting results in an exhaustive North Carolina study. They explain that consumers select an agency as follows:

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

![Method of property purchase](image)

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

96% (646) of buyers reported purchasing their homes through the standard method of a Sale and Purchase Agreement, whilst 1% (7) reported purchasing through Tender and 3% (20) through Auction. This finding was unexpected in view of the current 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. Auctions and Tenders drew no responses in the 1990 survey and barely registered on the scale in 1994. The survey findings are supported by a study of 1116 recent home buyers and sellers conducted by the Consumers Institute of New Zealand (1996). Only 5% of seller respondents reported selling through Auction and 2% through Tender.
Figure 3: Buyers’ survey Q 6 How well was the contract for Sale and Purchase explained?

30% (201) reported the Sale and Purchase Agreement as being very well explained, whilst 10% (68) reported it as poorly explained. Comparison of these findings with the previous surveys indicates an upward trend in purchasers who are dissatisfied with the explanation they received from their agent. In 1990 and 1994 53% and 48% of respondents respectively reported the Sale and Purchase Agreement as being very well explained whilst 5% and 6% respectively reported it as being poorly explained. These findings 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 documents such as the Sale and Purchase Agreement.
78% (521) of buyers received a copy of the contract at the time of signing and 22% (143) did not. Comparison of these findings with the previous surveys suggests a reduction in the percentage of agents who are providing a copy of the Sale and Purchase Agreement at the time of signing. This finding indicates that a significant minority of agents servicing the survey sample may have been in breach of the Real Estate Agents Act, Section 65. 82% and 84% respectively received a copy of the contract in 1990 and 1994.

Figure 5: Buyers’ survey Q9 To what extent did you feel pressured into making the purchase by the agent?
7% (46) reported pressure by agent to purchase as high whilst 55% (366) reported pressure as low. Whilst the majority of buyers perceived low pressure from the agent to purchase, a comparison of these findings with the previous surveys indicates more buyers perceiving high pressure from the agent and less buyers perceiving pressure to be low.

![Overall quality of service chart](chart)

**Figure 6: Buyers’ survey Q10 As a buyer, how would you rate the quality of overall service provided by the agent?**

36% (240) of buyers reported the agent’s overall service as excellent whilst 8% (55) reported the agent’s service as poor. 60% (400) of buyers felt that the service was either above average or excellent (grouping of scale points one and two). A comparison of these findings with the previous surveys indicates a drop in the percentage of buyers who felt the overall quality of service was excellent and an increase 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 has also trended down. Despite these findings, 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. 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.
1% (5) of buyers reported their general perception of the real estate industry as very favourable, 11% (69) as favourable, 37% (221) as neither favourable nor unfavourable, 46% (280) as unfavourable and 5% (31) as very unfavourable. Note that buyer responses to this question were grouped and coded into the above five point scale by the survey consultants. 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 10, (Figure 6) 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 (Consumers Institute, 1992 1996; Bean, 1992; Crews, 1993), 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.³

³ This question was not included in the 1990 and 1994 surveys.
The above chart explores the relationship between seller responses to Question 10 (Figure 6) and 12b (Figure 7). 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.

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Buyers were asked to rate their importance of specific consumer protections as offered by licensed real estate agents. The above chart summarises buyer responses to the question. Buyers rated the specific protections as “very important” in a range of 57-68%. The range lifts to 73-85% when points one and two on the scale are grouped as “importance” ratings. Significantly, a range of only 4-7% of buyers rated the specific protections as “not
important”. The highest “importance” ratings were assigned to Rules for Ethics and Discipline, followed by Trust Account and Fidelity Fund regulations. This question was also asked under the Sellers’ Survey section of the questionnaire. There were limited discernible differences in the findings from responses in both buyer and seller sections. Responses to this question carry perhaps the strongest consumer message in the survey.\(^4\) Despite parliamentary moves toward occupational de-licensing and industry deregulation, consumers still strongly support prescriptive measures of protection.

**Further Highlights in Buyer Findings**
- Buyers are viewing more homes before making a decision to purchase.
- More buyers are now pre-qualified for mortgage finance. However, the percentage of conditional contracts has increased, as has the number of contracts subject to finance.
- Solicitor’s fees for purchase and sale transactions averaged $1200.00.
- A smaller percentage of buyers reported paying very close to the asking price for their property.

**Sellers’ Section**

53.4% (369) of all respondents to the questionnaire also completed the “Sellers’ Survey” section of the questionnaire, i.e. they responded as both buyers and sellers. Only one respondent completed the “Sellers’ Survey” section without completing the “Buyers’ Survey” section. The following findings were extracted from the “Sellers’ Survey”.

![Figure 10: Sellers’ survey Q3 What method resulted in your home selling?](image)

81% (273) reported a sale using a Sole/Exclusive listing compared to 17% (56) selling under a General or Multiple listing. Comparisons with the 1990 (48% Sole/Exclusive) and 1994 (75% Sole/Exclusive) surveys confirm not only the strong growth in Sole/Exclusive listings but also the level of success achieved for sellers when compared to alternative methods. The

\(^4\) This question was not included in the 1990 and 1994 surveys.
Consumers Institute (1996) survey findings support these results with 69% of seller respondents reporting a successful sale through Sole/Exclusive Agency.

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

44% (154) of sellers reported the contract of agency as very well explained whilst 9% (33) reported it as explained poorly. A comparison with the 1994 findings indicates that less agents are taking the time to provide an effective explanation of the listing. The response findings also share a link with those reported in Question 4b (Figure 12: see explanation below).  

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

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5 This question was not included in the 1990 survey.
48% (169) of sellers reported the contract of agency as very well understood whilst 6% (20) reported it as poorly understood. Comparison of the current findings with the corresponding findings for 1990 and 1994 suggest the development of a disturbing trend. The current survey findings reflect for the first time that less than 50% of sellers reported the contract of agency as very well understood whilst the percentage of sellers reporting it as poorly understood increased (albeit slightly) in both 1994 and 1997. The response findings to Question 4a and 4b (Figures 11 and 12, preceding page) share a link in that it remains the responsibility of the agent to ensure that the seller clearly understand the listing contract. The findings may also share a link with those reported and discussed in the Buyers’ Section under Question 6 (Figure 3).

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

89% (311) of sellers received a copy of the contract of agency at the time of signing and 11% (40) did not. Comparison of the current findings with the corresponding findings for 1990 and 1994 reflects an increasing tendency for agents not to provide a copy of the listing contract at the time of signing. This finding indicates that a significant minority of agents servicing the survey sample may have been 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 Buyers’ Section which indicate that less agents are providing a copy of the Sale and Purchase Agreement to buyers at the time of signing.
13% (47) of seller respondents felt that the agent’s commission was reasonable whilst 30% (104) felt that it was unreasonable. Comparisons with findings from the 1990 and 1994 surveys indicate 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 was 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. Crews (1993) discusses other factors which may also be linked to lifting levels of dissatisfaction with commission rates:-

(i) economic circumstances which have altered the nature of the property market over the past ten years.
(ii) the rise in commission rate which has been evident since price de-regulation in 1989.
(iii) lower capital gains (which places the commission fee more in perspective as a service charge).
(iv) media publicity alerting sellers to an increasingly available fee negotiating option.
30% (106) of sellers reported their agent as having a high understanding of the market whilst 4% (15) reported their agent as having a low understanding. Comparison of these findings with the 1990 (47%) and 1994 (39%) surveys shows a decreasing trend in the percentage of sellers who felt that their agent had a high understanding of the market. Grouping of points one and two of the scale into “understanding the market” does tend to indicate a more positive note of seller perceptions (1990; 83%, 1994; 67%, 1997; 67%).

35% (125) of seller reported that they had high confidence in their agent’s competence whilst 8% (30) reported low confidence. The majority of vendors (65%) reported “confidence” in their agent when points one and two of the scale are grouped together. The validity of comparisons with the previous survey may be questionable as the question was changed in
the current survey. The words “faith and trust” were replaced with “competence”. Nonetheless, despite the change, the comparative results do indicate a disturbing trend for real estate agents.

![Degree of agent's knowledge of property's features](image)

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?

39% (138) of sellers reported that their agents had a high degree of knowledge of the property’s features whilst 5% (18) reported knowledge as low. Comparison of the findings with the 1990 (49%) and 1994 (44%) surveys shows a decreasing trend in the percentage of sellers who felt that their agent had a high degree of knowledge about the property’s features. However, comparison of the “low degree” findings with the 1990 (11%) and 1994 (6%) surveys also shows a decreasing trend.
35% (124) of sellers reported a high degree of feeling that all possible was done to sell their home whilst 8% (28) reported a low degree of feeling that all possible was done. Comparison of the “high degree” findings with the 1990 (46%) and 1994 (43%) surveys shows a decreasing trend in the percentage of sellers who felt that the agent did all that was possible to sell their home. The “low degree” findings also reflect a small increase over 1990/1994.

26% (92) of sellers rated the overall service they received by the real estate profession as excellent whilst 12% (43) rated the service received as poor. 55% (207) of sellers felt that the service was either above average or excellent (grouping of scale points one and two). 22% (80) 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 some
recovery in the positive perceptions of sellers (above average or excellent) [1994; 49%] and a recovered drop in negative perceptions (below average to poor) [1994; 28%].

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 rated as buying a larger house, upgrading property, better locality and lower maintenance.
- There has been a steady growth in the percentage of sellers (now the majority) who considered selling privately but less than 20% actually tried. The main reasons given for not trying were time, expertise and marketing services offered by agents.
- The percentage of sales within the first two weeks of listing has shown a substantial drop, and a smaller percentage of sellers are achieving close to their asking price.
- More sellers are using more than one firm during the marketing period but less 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.

CONCLUSIONS

The Real Estate Institute’s Consumer Survey provides many useful insights into consumer perceptions of the standard and cost of services offered by New Zealand real estate agents. The findings reflect mixed results in terms of consumer satisfaction levels. Comparative findings (with the 1990 and 1994 surveys) confirm that recent users have a higher opinion of the service offered by real estate agents than does the public at large. However, when recent buyers and sellers were asked for their opinions on aspects of the services provided, satisfaction levels were generally reported as lower than in previous surveys, sometimes significantly so. Ratings of “overall quality of service offered” to buyers and ratings of “overall effort to sell their property”, as reported by sellers, are two areas of concern, as are findings relating to the provision and explanation of documents such as the Sale and Purchase Agreement.

The findings 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.

Baen (1992) states “…… 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). 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 this study. There is a general consensus amongst parliamentarians to remove the monopoly enjoyed by real estate agents in the marketplace. This action is likely to become a reality within the next two years. It is now timely for real estate agents to examine and, where appropriate, improve, their service performance levels, not only to enhance their effectiveness in meeting consumer needs but also to actively prepare for the pending entry of new, non-traditional competitors into the marketplace.

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 1990 and 1994 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 sample frame was confined to 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 other cities and provincial areas within the sample frame would have improved the level of national representation, and may have produced a variation in the results.

(iii) due to the unavailability of raw-data pertaining to the previous two surveys (1990 and 1994) statistical analysis in this survey was confined to descriptive statistics. The use of additional statistical techniques, e.g. testing for significant differences would have further enhanced the research 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 ten 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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