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Factors Influencing the Selection of Real Estate Agents in Lagos Metropolis, Nigeria

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Case Study

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ABSTRACT

Real estate investment involves huge sum of money often beyond the reach of a single individual. For most estate owners, real estate is probably their single largest investment media. It is therefore necessary that one makes the right choice on whom to handle ones single largest financial investment. This study attempt to investigate into factors that real estate customers consider in selecting their estate agents in Lagos Metropolis, Nigeria for the purpose of creating better customer satisfaction in real estate agency market. The data collection instrument adopted for this study was self-administered questionnaires. The study sample consisted of two hundred and three (203) real estate consumers in Lagos metropolis. A survey of 203 real estate consumers revealed the factors influencing the selection of real estate agents in the study area. The study found out that real estate consumers are mostly concern about agent's reputation when deciding on the choice of whom to handle probably their single largest investment. The study also found that 75 representing 37% of the study population employs the services of real estate agents in order to maximize returns.

Keywords: Real estate consumers; consumers' satisfaction; consumers' perception; service quality;

1. INTRODUCTION

Real estate agents obviously perform a middleman function in that they bring buyers and sellers together. They build the bridges between people in search of landed properties and estate owners. Real estate is a special type of asset that almost everyone desire to own. It is a complex and highly differentiated asset, with no two units precisely identical in all respects.

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Khadduri and Pusanov (1993) observed that the sales and purchases of real estate occur relatively infrequently and usually an individual is involved in only a few such transactions in a life time.

For these reasons, it was difficult for both buyers and sellers to know whether a price offered is the best price they can obtain in a transaction or even a fairly good price. To overcome this lack of information base for assessing a single offer, buyers must have access to many real estate units offered for sale, and sellers to many potential buyers. According to Khadduri and Pusanov (1993), real estate agents can help to obtain this information for both buyers and sellers, thereby making it possible to conduct widespread transactions at competitive market prices.

Real estate has also been described as a capital intensive business. It has been traditionally regarded as a lumpy and illiquid investment. This is because real estate investment requires huge capital outlay which is often beyond the capacity of the medium and low income groups. Most estate owners are therefore debtors to banks, cooperative societies or other financial institutions. It is therefore necessary that one makes the right choice about who to handle what probably is ones single largest financial investment.

The choice of real estate agent to handle ones investment will probably determine the profitability of that investment. According to Richardson (2005), home buyers and sellers trust their agents to play a vital role in the purchase or sale of their most important financial investment. They also trust their agents with information about their properties, financial qualifications and purchasing/selling intention. Agents in return must take reasonable steps to protect their client's information and satisfy them. When customer's satisfaction increases, this may translate into increased profits for both parties and help in ensuring longevity for the real estate agency market as a whole (Kurtus, 2007).

Real estate has also been described as one of the basic necessity of life. Everyone needs a home either as a free-holder or as a leaseholder. Whether one is in search of a home to buy or to lease, estate agent can help to provide up-to-date information regarding prices, financing, terms and conditions of competing properties, and information about the property market in general. As a result, this makes it more likely that a buyer will find a satisfactory match much earlier in the search process. Therefore every family needs an estate agent at least one in a life time.

This study therefore intend to investigate into factors that influencing the selection of real estate agents from their customers' perspective in order to retain customers and hence create better customers' satisfaction. Using a questionnaire format, the factors that real estate agents customers consider relevant in the choice of real estate agents were collected. In addition, the need for real estate agents and real estate consumers' satisfaction were also examined.

2. STATEMENT OF RESEARCH PROBLEM

It has been observed that some estate agents receive more patronage than others. It was expected that if customer found that the estate agent they intend to use has more than enough clients, they should seek the service of another estate agent. This is not always the case. It was reasoned that there must be some certain characteristics that attract and repel customers to some estate agents. However research relating to these issues is scant. Pastiroff, (2004) in his study on real estate consultancy market found out that real estate

agents received repeat businesses from their customers when they are satisfied. If otherwise, they change their real estate agent. The author also discovered that market knowledge (that is, the understanding and experience of the agent about the property market in general) was the most important factor real estate consumers consider when selecting their real estate agent.

Johnson et al. (1988) reported that the individual agent was more important than the firm itself and that knowing an agent of the firm was the primary factor considered in the selection of an estate firm. The authors also noted some reasons why real estate customers switch from one estate agent to another. This study therefore addressed the factors responsible for this disparity in the volume of patronage experience by real estate agents with particular reference to Nigerian setting.

3. REVIEW OF LITERATURE

Traditionally a real estate agent had the responsibility of marketing property for sale or lease. When a consumer uses an estate agent, he/she is likely to get a far better result than conducting a search on his/her own. According to Stewart (2009), "understanding the perspective of the consumer is not a simple task. Consumer's perspective of service quality differs from one another and each takes a different approach to the evaluation of how satisfied they are. It is difficult to know the exact factors that influence individual's choice. However, there are some authors that have investigated into this issue and they came up with a number of factors.

Johnson et al. (1988) in an exhaustive North Carolina study found out that 'selling ability', 'competence', 'integrity', 'market knowledge' and 'ability to understand client needs' are very important factors real estate consumers consider in their choice of real estate agent. The authors established that the individual agent is more important than the firm in the selection of an agency. Pastiroff, (2004) noted that range of services, fee structure/levels, consultant's network, track record and market knowledge are important factors that real estate consumers consider when deciding the choice of real estate agent. He found out that some factors are more important than others. According to the author, market knowledge was the most important factor, followed by track record and then consultant's network. Pastiroff (2004) further investigated into reasons for using the services of estate agents. He found out that the main reason why real estate customers employ the services of an estate agent was to 'concentrate on core businesses'. The vast majority of the real estate customers that were interviewed by the author got their real estate agent through established relationship.

Michael et al (1990) examined factors that affect real estate sales staff performance from sixteen firms of various sizes in different residential markets. They identified five variables affecting real estate sales staff performance. It was reasoned that if these variables could affect performance, it could also influence client's decision when selecting real estate sales staff. These variables included gender, hours worked per week, amount of formal education, work satisfaction, and reputation of the firm.

Nagpal (2009) compared choosing a real estate agent to choosing a doctor. According to the author, if one do not choose the right real estate agent for ones job, the property transaction is unlikely to see the light of the day. A good real estate agent would open a number of good opportunities for his/her customers. Nagpal (2009) identified some soft qualities of a reliable estate agent. An estate agent should be easy to talk to and smart to understand his/her client's question; flexible to work according to the time schedule; a computer savvy; quickly

respond to any queries or doubts and well networked with other estate agents. The presence or absence of these qualities in an estate agent could determine the quality and quantity of clients that would patronize the agent.

Leona and Lucy (2002), Brits and Mortar (2006), Mahida (2007), RSS (2007), Bhattacharya (2008) and Pretty (2008), lighted some important questions to ask an estate agent before dealing with them. Some of these questions are: number of years in the business; agents' firm's name and reputation; agents' availability; agents' area(s) of specialization; number of transactions involved in; membership professional body; likely duration of search; agents' marketing plans and programme; number of clients currently working with etc.

According to the authors, these questions may help one decide or locate an agent that is appropriate for ones needs when responses to these questions have been carefully and objectively evaluated. This study however employ some of these variables that has been established in literature to assess the property market in order to determine the factors that influence real estate consumers in their choice of real estate agent in Lagos metropolis.

4. STUDY AREA

The study area for this research work is Lagos Metropolis. Ideally, the study should consider the whole country but for manageability and thorough analysis, to was restricted to this area. The restriction to Lagos metropolis was informed by the fact that the metropolis is one of the most important commercial cities as the volume of economic activity in metropolitan Lagos exceeds that of all capitals or towns in the country. Also the vast majority of firms of estate surveyors and valuers who are involved in real estate practice have their head offices or branch offices located in the metropolis. The membership directory of the Nigerian Institution of Estate Surveyors and Valuers (2002 edition) showed that approximately 54% of estate surveying firms in Nigeria are based in Lagos metropolis.

5. METHODOLOGY

The study was conducted in Lagos metropolis in February 2010. The focus group for this research work was mainly real estate service consumers. This comprises home owners, home buyers and tenants who employ the services of estate agents whether in search of a prospective tenant or a property. 118 estate surveying firms were randomly selected representing 50% of the total number of estate surveying firms in the study area. This is believed to be a fair representation of the entire population. From each estate surveying firm, two (2) service consumers were purposively selected given rise to a total number of 236 real estate service consumers. The study adopted self-administered questionnaire as its data collection instrument.

Each consumer was asked to complete a questionnaire. The questions focused on reasons why customers need the services of estate agents and how they got their present estate agent. More specifically, customers were asked to identify the factors they consider in their choice of real estate agent.

5.1 Data Collection

A total number of 236 questionnaires were administered to the survey sample but 207 questionnaires were retrieved. 4 responses were found unusable. Valid responses totaled 203, an 86% response rate which is relatively high despite the nature of the sample

(professional people who are always busy, non-homogenous and not predisposed to complete a questionnaire). The authors believed that the sample fairly represents the population surveyed.

6. RESULTS AND DISCUSSION

The consumers were asked to complete a questionnaire relating to issues that motivated them to select their present real estate agents among other agents. The following are highlighted extracts from the results of the 2010 real estate consumer survey carried out in Lagos metropolis, Nigeria.

6.1 Sample Characteristics of Participants

The sample characteristics for real estate consumers that participated in the study are shown in Table 1. The consumers consist of 77.3% male and 22.7% female. The relatively large number of male agents is not unexpected considering the strenuous nature of the work. The average consumer was between the ages of 36 – 50 years old and had an average annual income of over N400, 000. 56.3% of real estate consumers were married, 38.8% single and the remaining 4.9% divorced.

Table 1. Sample characteristics of participants

Characteristics of Real Estate Service Consumers (203)		
Percentage (%)		
Age, yrs.	<35	59.1%
	36-50	34.0%
	> 50	6.9%
Education	Graduate Degree	46.8%
	Masters Degree	37.9%
	Others	14.8%
Sex	Male	77.3%
	Female	22.7%
Year of Experience	Mean	10years
Marital Status	Married	56.3%
	Single	38.8%
	Divorced	4.9%
Occupation	Civil Servant	56.2%
	Self Employed	34.5%
Annual Income	Others	9.3%
	< N100, 000	25.6%
	N100,000-N400,000	22.7%
	>N400,000	51.7%

Source: Authors' Field Survey (2010)

The 203 consumers that were surveyed had an average length of 10 years experience in real estate related businesses. Majority of the consumers were civil servant and have a graduate degree as the highest level of education attained. From this outcome, it may be deduced that most of the consumers are qualified to know the importance of research and

can be relied on to give reliable information. Therefore the credibility of the data is sustained and the information obtained actually reflects the view of real estate service consumers in the subject under study.

6.2 Methods of Selecting Real Estate Agent

Table 2 presents results to the question “How did you get your present real estate agent?” Of the total sample of real estate consumers, 39.9% indicated that they got their present real estate agent through established relationship, that is, they performed well in the first contact, and so they decided to keep the agent. 32.7% of the respondents indicated that their agents were recommended to them by friends, colleagues or business partners. 15.3% indicated that their present real estate agent was actively searched for having heard of the agents performance and good reputation while only twenty-two (10.7% of the sample) were approached by their present real estate agent. Three representing 1.5% of the sample specified other means through which they got their present estate agent; through advert and that they personally know the agent. From these results, it is evidenced that real estate consumers do not just pick any real estate agent on the street. They must have been that the agent performed well in the first contact or they heard a good report about the agent that drives the selection of that particular real estate agent.

Table 2. Methods of selecting real estate agents

Methods	Frequency	Percentage (%)
Established Relationship	81	39.9
They approached you	22	10.7
They were recommended	66	32.7
Actively Searched	31	15.3
Others	3	1.5
Total	203	100.0

Source: Authors' Field Survey (2010)

6.3 Reasons for Using a Real Estate Agent

Table 3 documents the reasons why real estate consumers employ the service of an estate agent. The main reasons according to real estate consumers are to maximize returns and to concentrate on core business. This supported the findings of Pastiroff (2004) in his research on real estate consultancy.

Table 3. Reasons for using a real estate agent

Parameters	Frequency	Percentage%
Cost Effective	26	12.8
Less Difficulties	34	16.7
To Maximize Returns	75	37.0
To Concentrate on Core Business	68	33.55
Total	203	100.0

Source: Authors' Field Survey (2010)

The response “cost effective” means to minimize cost which from the findings is the least reason why a client decides to use an estate agent. The result indicated that the most important reason for using an estate agent is to maximize return that is to get the best possible result. Seventy-five representing 37% of the population attested to this fact. This might be due to the fact that real estate service consumers have realized that the costs of being involved in real estate related services are substantial and often result into a waste of time and resources. Majority of the respondents agreed that real estate agents know the best way to meet their need within the shortest possible time.

6.4 Methods of Securing Customers

Table 4 clearly gives real estate customers’ responses on how real estate agents obtain instruction from their customers. The real estate consumers were asked if estate agents approach them in order to secure instruction for work. The options were “yes or no”. The study revealed that larger percentage of the real estate consumers (precisely 59%) were approached by real estate. The study found out that majority of real estate agent goes for scouting and in the process approach potential clients in order to secure work from them. This contravenes the rules and regulations for the practice of estate surveyors and valuers, Decree No. 24 of 1975 which states that “No estate surveyor and valuer shall solicit instructions for work in any manner whatsoever provided that this rule shall not apply in the case of a general information about the firm or organization in question and not related to canvassing for any specific job”.

This pattern could possibly be due to the presence of many estate surveying firms on the streets of Lagos Metropolis and even other professionals practising real estate related businesses. All these strive for survival. It was assumed that if they stay in their offices, they may not get as much customers as they have. Also, as they go out to source for properties, they create awareness to the general public on what real estate is all about and the benefits of employing the services of real estate agents either in search of a property or for management purposes. The study also found that despite the real estate consumers were approached by estate agents, this does not automatically mean that they will secure instruction to work. There are still certain characteristics that attract real estate consumers to a particular agent.

Table 4. Methods of securing customers

Options	Frequency	Percentage%
Approached	120	59
Not Approached	83	41
Total	203	100.0

Source: Authors’ Field Survey (2010)

6.5 Factors Determining the Choice of Real Estate Agents

Table 5 shows the responses of real estate consumers on factors they considered important when deciding on which real estate agent to choose. The respondents were asked to give a simple ranking of five factors extracted from literature on real estate agency. These factors are fee structure/levels, age of firm, agent’s reputation, manner of approach, agent/consumer’s relationship, range of services, agents’ consultancy network and others which they are expected to specify.

Table 5. Factors determining the choice of real estate agents

Options	Mean Scores
Fee Structure/levels	2.6
Age of Firm	1.2
Agent's Reputation	3.2
Manner of Approach	2.3
Agent/Consumer Relationship	1.7
Range of Services	1.4
Agents' Consultancy Network	3.0

Source: Authors' Field Survey (2010)

4	=	<i>Extremely Important</i>
3	=	<i>Important</i>
2	=	<i>Slightly Important</i>
1	=	<i>Not important</i>

The results clearly showed that some factors are more important than others. Agent's reputation was the most important factor and was rated as either; "extremely important" or "important" by almost all respondents. Agent's reputation has to do with the opinion that people have about the agent based on what has happened in the past. We have heard clients saying "Agent X has a good record" purely on the basis that Agent X has always performed well.

Agents' consultancy network was the second most important factor, followed by fee structure, manner of approach and lastly age of firm. This means that the age of the firm does not really affect the performance of the agents. It was also observed that the individual agent and not the firm/company itself that is more important to real estate service consumers. This supported the finding of Johnson et al. (1988) that the relationship consumers have with their agent is very close compared with the firm/company that employed the agent.

The last finding of this study concerned the question whether clients would like to retain their agents and if they could recommend their present agents to their friends or relatives. Table 6 showed the details of the result.

Table 6. Overall perception of real estate agents

Parameters	No	Undecided	Yes
Possibility of repeat business	5.9%(12)	9.9%(20)	84.2%(171)
Possibility of recommending Agents to others	10.3%(21)	9.9%(20)	79.8%(162)

Source: Authors' Field Survey (2010)

The result as condensed in table 6.0 above clearly suggested that majority of the clients would like to carry out repeat businesses with their real estate agent and also recommend them to their friends or relatives. This indicated that the consumers are to some extent satisfied with the performance of their real estate agents. It should however be noted that the results of this study may or may not be generalized to other study areas.

7. CONCLUSION/RECOMMENDATION

The study attempts to investigate into important factors influencing the choice of real estate agent in Lagos metropolis from real estate consumer's perspective. It was difficult to know the exact factors that influence individual's choice. However, the study found out that agent's reputation was the most important factor real estate consumers consider in selecting estate agent. It was also found that most real estate consumers got their present real estate agent through established relationship. This relationship must have been created in their first contact. This implies that when agents perform well in their first contact with their customer, the customers are likely to come back and possibly introduce their agents to others. The study recommended that agents should try and create a good first impression as there may be no other chance to make amendment.

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