

A Reprint from *Tierra Grande*


SPICING UP SALES IN THE MELTING POT

By Gary W. Maler

A weekend visit to any major metropolitan shopping center in Texas verifies firsthand what demographers have been predicting for decades: the face of Texas is changing! Sizeable numbers of shoppers filling store aisles are likely to be of Mexican, El Salvadorian, Chinese, East Indian, Pakistani, Vietnamese or one of a dozen other national origins. Many languages other than English are likely to be overheard.

Texas' ethnic makeup has already changed dramatically in most areas. The Texas State Data Center and Office of the State Demographer projects that, under all of the most likely population growth scenarios, the Texas population will become less than one-half Anglo before 2010. Sometime between 2025 and 2034, Texas will become a majority Hispanic state.

To determine how these shifts will affect the real estate industry, the Real Estate Center conducted a survey of homeowners and likely homebuyers. The objectives were straightforward: identify differences in how each of the four major Texas ethnic

and December 31, 2003, averaged 22 minutes in length. They were conducted in either English or Spanish, depending on the primary language of the household.

Overall Lessons Learned

One key finding is that the mix of real estate services desired and valued by both buyers and sellers is fairly consistent across all four ethnic groups. This means that real estate agents are on target in offering a traditional package of services.

What differs among the ethnic groups is how they respond to the image agents or brokerage firms project and how services should be marketed to establish strong business relationships. Once a good working relationship is in place, ethnic differences appear to be based on personal characteristics of both the customer and the agent, and varying communication needs and styles.

Survey respondents were asked to rank characteristics important in selecting an agent. Responses indicate that higher-income groups are most concerned with agent reputation and technical proficiency. Lower-income groups have greater interest in a firm's reputation and national affiliation. Hispanics of all

income levels, especially those having difficulty conducting business in English, show distinct preferences for young, Spanish-speaking Hispanic agents. The importance of trust-based relationships cannot be overemphasized with the Hispanic segment of the market. All ethnic groups reported a preference for agents who appear neat and professional, but not ostentatious.

New homes make up a significant percentage of homes purchased by most ethnic groups in Texas. When responses from all ethnic groups are combined,

**Likelihood of Recommending a Real Estate Agent
Percent Definitely or Probably Would**

	All Respondents	Hispanic	White	Black	Asian
Recommend using a real estate agent?	79	81	78	86	83
Recommend using the real estate agent you used?	66	72	63	75	66

Source: Real Estate Center at Texas A&M University

groups approach the homebuying process, determine what services each group wants and needs from real estate licensees and how licensees can more effectively market their professional services to meet each group's needs.

The survey polled 4,080 Texans, 1,870 of which identified themselves as Hispanic, 880 as white, 772 as black and 481 as Asian. Hispanics were intentionally oversampled to compensate for historic underrepresentation of Hispanics in most survey methodologies and because they are the fastest growing segment of Texas' population. The telephone surveys, which were conducted by Harris Interactive between November 14

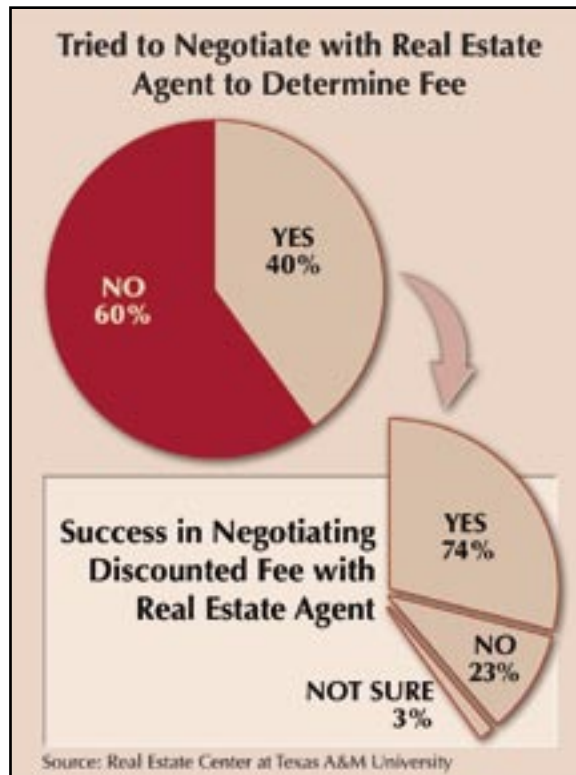
46 percent of respondents who purchased homes in Austin bought new homes. That figure was 40 percent in San Antonio, 51 percent on the Border, 35 percent in Houston and 33 percent in the Dallas-Fort Worth Metroplex. Compared with other groups, Hispanic respondents typically purchased fewer new homes in all areas of the state except the Border.

Mirroring studies conducted by the National Association of Realtors, about 79 percent of survey respondents think it is a good idea to use an agent to buy or sell a home and that agents earn their fees by providing valuable services. Sixty-six percent would recommend the agent they used. A majority (58 to 62 percent) of all respondents from all ethnic groups felt that using an agent increased the selling price of the home by the commission amount.

Across all ethnic groups, 43 percent of sellers and similar numbers of buyers expect their agents to contact them at least two to three times a week to keep them informed. Thirty-one percent expect to be contacted at least once a week with updated information.

Group Responses

Hispanics. A majority of Hispanics (70 percent) have owned only one home compared with 33 percent of whites, making Hispanics the group with



to think agents earn their fees by providing valuable services.

Of the ethnic groups surveyed, Hispanics are the most likely to want an agent who speaks their language, with sizeable percentages of respondents indicating they are not comfortable conducting business in English. Compared with other regions of the state, Houston and the Dallas-Fort Worth Metroplex had more respondents whose primary language is not English and who are not comfortable conducting business in English. These cities also have the largest numbers of Hispanics with the shortest tenure in United States.

Whites. This group has the most experience with homeownership; 66 percent having owned two or more homes. White respondents had the highest rates of homeownership statewide and, when asked about future plans to purchase, were the least likely to buy a home in the immediate future.

White respondents generally hold positive views of agents, though they are the group least likely to think it is a good idea to use an agent to buy or sell a home. They are most willing (62 percent) to pay significantly more for a mortgage than they currently pay in rent. Whites reported finding nearly all aspects of the homebuying process easy. The most difficult aspect, they said, is finding an agent they are comfortable with.

The main reasons whites gave for buying a home were to have more

space or because they were getting a job in a new location. When it comes to learning about neighborhoods, whites are the least likely of the ethnic groups to use a real estate source (agents, builders, mortgage companies). However, when asked who they typically go to for real estate advice, the largest

the least experience as homeowners. About half of Hispanic respondents indicate they are likely to buy a home in the next few years.

Most Hispanic respondents are financially conservative, with 44 percent indicating they would pay a

Likelihood of Recommending a Real Estate Agent Based on Agent's Ability to Meet Client's Expectations Percent Definitely or Probably Would

	All Respondents	Agent's Ability to Meet Client's Expectations		
		Exceeded Expectations	Met Expectations	Below Expectations
Recommend using a real estate agent?	79	92	87	48
Recommend using the real estate agent you used?	66	90	76	22

Source: Real Estate Center at Texas A&M University

number of white respondents said a broker or agent, followed by their parents, then a builder.

Asians. Survey data reveal that Asians have achieved among the highest levels of education as well as income and generally own among the largest and most expensive houses. Responses also make it clear that a substantial number of Asians strongly prefer newly built homes. Sixty-two percent of Asians responding to the survey in Austin bought new homes.

Asians are more likely than the other ethnic groups surveyed to buy a home in the next few years. Asians generally are receptive to real estate agents, tend to rely upon them and value their expertise. They are, however, highly motivated to negotiate discounted agent fees and are by far the most effective negotiators, with 86 percent saying they were successful. When asked who they first go to for real estate advice, the largest percentage of Asians reported going to a broker, then to their parents.

Blacks. Like Asians, blacks are receptive to real estate agents and are likely to seek their advice. Thirty-seven percent indicated they would go to a broker or agent as their first contact in the homebuying process.

financial considerations (such as interest rates). Seventy-eight percent of black respondents (current homeowners and potential buyers) reported being very comfortable with a very small down payment. Fifty percent said they thought it was hard to qualify for a mortgage loan. Compared with other ethnic groups, blacks were nearly twice as likely to learn about neighborhoods by driving through them and observing them firsthand.

Preference for Real Estate Agent's Gender	
	All Respondents Percent
Male	2
Female	7

Source: Real Estate Center at Texas A&M University

Practical Applications

Survey results show that real estate professionals benefit from letting their customers know what to expect during the process of selling or buying a home. When meeting with potential customers, agents should carefully and specifically describe the services they will provide.

Agents should stay in close touch with customers, perhaps contacting them several times a week to keep them informed about the homebuying-homeselling process and the progress of the

transaction. Following up with customers once the transaction is completed is a key to overall customer satisfaction and generates repeat business.

Agents should go the extra mile in assisting customers. Personalized service, or the lack of it, is critical to how people view the real estate brokerage industry as a whole and affects the likelihood that customers would use a particular agent again.

Agents should be prepared to negotiate fees because sizeable numbers indicate a desire and ability to do so. Agents should develop working relationships with homebuilders since new

homes represent such a large share of homes bought.

And finally, although the survey points out similarities in buying and selling behaviors within each of Texas' four major ethnic groups, it is critical to remember that individuals may not think or act in lockstep with their peers. Many will no doubt march to the beat of their own drummers. ♦

Current Value of Home					
	All Respondents Percent	Hispanic Percent	White Percent	Black Percent	Asian Percent
Less than \$100k (Net)	42	60	36	45	24
Less than \$50k	12	21	10	10	3
\$50k to less than \$100k	30	39	26	35	21
\$100 to \$200k (Net)	35	24	38	36	40
\$100k to less than \$125k	14	13	14	16	10
\$125k to less than \$150k	10	6	11	10	10
\$150k to less than \$200k	11	5	13	10	20
\$200k to \$300k (Net)	8	4	9	6	22
\$200k to less than \$250k	5	2	6	4	14
\$250k to less than \$300k	3	2	3	2	8
\$300k or more	5	1	7	*	7
MEAN (in thousands)	\$119.5	\$89.8	\$132.4	\$107.8	\$162.5
MEDIAN (in thousands)	\$81.7	\$55.7	\$100.7	\$73.3	\$142.4

Source: Real Estate Center at Texas A&M University

Blacks have high opinions of real estate agents and are more likely than the other groups surveyed to think that using an agent is a good idea. Forty percent of blacks reported that they are likely to buy a home in the next few years.

Like Hispanic respondents, blacks are financially conservative, with 35 percent saying they would want to pay the same or less on mortgage payments than they currently pay in rent. Black homebuyers are typically motivated to buy by the need for more space, reaching a certain age, getting a new job or

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