

Chinese and Non-Chinese Real Estate Marketing and Mortgage Strategies in the Auckland Residential Market

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Chapter 1 Introduction

1.1 Overview

In New Zealand, the housing market is composed of distinct communities with different roles. These are the buyers, the sellers, and intermediaries between buyers and sellers of real estate. Real estate agents and brokers, as a third party of housing deals, are a very important intermediary in the New Zealand real estate industry. On the one hand, they help people to sell the property professionally and efficiently; on the other hand, they help people find the optimal home for living or property investment and consolidate loans. According to Gilbert (2002), less than 0.5% of all property sales are made privately, and around 80% of properties placed on private sale are transferred to real estate agents within three months.

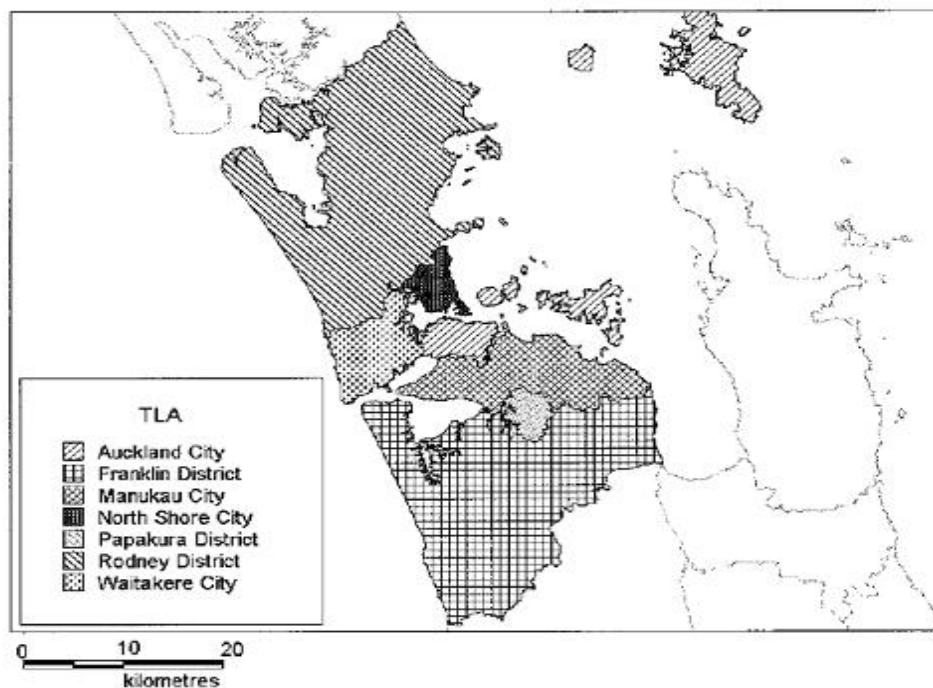
The real estate industry in New Zealand is now a multi-cultural enterprise composed of diverse ethnicities, due to New Zealand's immigration policy. In the last ten years, the inflow from 'non-traditional countries of origin' has particularly increased the number of new settlers from Asian countries (Bascand, 2009, Aug 14). Increasing diversity means that all parties must come to grips with the challenge of understanding the housing needs of people from different cultures.

The Chinese are the largest Asian ethnic group in New Zealand and have been so since the nineteenth century (Bell, 2001). As a result, as confirmed by local media, there is a large intra-Chinese housing trade market within the Auckland Chinese community. As the housing demand of the Chinese community is a valuable resource to support the New Zealand real estate industry, it is significant to have a timely research on the marketing strategies used in that specified housing market. Ultimately, the stimulus of Chinese buyers in the housing market can enhance a prosperous New Zealand economy.

This thesis examines two groups of real estate intermediaries - Chinese and non-Chinese – and investigates the role of these people in New Zealand, particularly as it concerns the principles, behaviours, relationships and practices of Chinese and non-Chinese real estate personnel vis-à-vis their clients and the mortgage market. In this study, the research domain

of the housing market we are focusing on is the Auckland region, which includes Auckland City, Manukau City, North Shore City, Waitakere City, Franklin District, Papakura District, Rodney District, Waiheke and Hauraki Gulf Islands (Housing New Zealand Corporation, 2005). However, the four main cities, as the metropolitan area, are the main research regions of this study.

Fig. 1: The Auckland region.



Source: N.Z. immigration service data

Finally, the market which is analysed in this study merely focuses on residential property, including private apartments, houses, townhouses and units – as dealing in commercial property is a completely different market, it is not examined in this research.

1.2 Problem definition

According to Bollard (2005), the emerging dynamics of the residential property sector have a significant influence over the performance of the national economy. So, it is necessary to study the current residential property market, which constitutes real estate buyers, vendors and intermediaries, in order to gain a better understanding of the direction and strength of this influence.

In particular, the author of this thesis became interested in the large number of Chinese buyers, agents and brokers in this multicultural market, and the interesting phenomenon of quite a few Chinese real estate staff using their dealings with mostly Chinese buyers to achieve top 25 sales positions in the real estate industry each year. It then became interesting to examine the reasons behind this success –what are the market strategies and mortgage strategies that are applied to this specified customer cluster, and are these strategies any different from those adopted by non-Chinese real estate staff?

The research described in this thesis set out to identify the roles of real estate employees in the Auckland residential market, and to make comparisons between the marketing and mortgage strategies used by both Chinese and non-Chinese staff. This investigation into market knowledge and practice by ethnicity is, to the author's knowledge, an exploration of a new and constructive research field, as research in this country that focuses on marketing and mortgage strategies from different ethnicities has not previously been undertaken. Thus, the benefits derived from this research will help us understand the role of real estate employees in the Auckland market, help new real estate employees to develop their industry skills, and thus improve the overall effectiveness of the marketing and mortgage strategies used in this market. From a real estate industry perspective, this understanding can only help to improve overall market efficiency.

However, as discussed further in Chapter Three, the conclusions that may be drawn from this research are necessarily influenced by the geographical limitation of being relevant to just the city of Auckland; the ethnic limitation of its specific focus on the Chinese community; and the resource limitation imposed by a student's time and financial resources budget. Despite these limitations, all possible precautions have been taken to minimise their influence, and to present results that are as objective and as bias-free as possible.

1.3 Aims and objectives

The basic purpose of this research was to investigate, examine, and evaluate the marketing and mortgage strategies of Chinese real estate personnel in the Auckland residential housing market. However, it is not enough to focus only on Chinese employees. Therefore, the author has begun her research by examining industry rules and roles in the Auckland residential

market, and then by comparing the strategies applied by Chinese staff with strategies applied by non-Chinese staff. This approach has been developed by seeking to identify the common and diverse principles and practices of New Zealand Chinese and non-Chinese real estate employees, and the specific objectives of the study are to:

- Identify and compare the actual business activities of Chinese and non-Chinese real estate employees.
- Identify and compare the marketing strategies of Chinese and non-Chinese real estate employees.
- Identify and compare the mortgage strategies of Chinese and non-Chinese real estate employees.

1.4 Research questions

In order to fulfil the requirements of this approach, a number of supporting sub-questions were initially developed:

- What are the characteristics of new Chinese immigrants to Auckland, both in terms of demographics and their expectations to property acquisition?
- How long does it take a new Chinese immigrant to discover the nature of the New Zealand housing market and to buy a house?
- How does Chinese ethnicity influence the housing search?
- What is the nature of Chinese versus non-Chinese attitudes to housing acquisition, purchase and mortgaging?
- How does ethnicity influence the mortgage process?
- What are the typical strategies in the process that are facilitated by real estate employees?
- How do these interventions differ between Chinese and non-Chinese real estate transactions?

1.5 Outline

To obtain the necessary insights into this research, this thesis is arranged in six chapters.

- Chapter One sets out to explore the background to, and importance of, this study, and to define the nature of the study object and the geographical region of research. It continues to identify the aim and objectives of this research and to clarify the research questions.
- Chapter Two comprises a five part literature review. Firstly, it examines current trends in the housing market in Auckland and the factors that influence this market. Secondly, it identifies the role of real estate employees by looking at real estate businesses and real estate buyers' decision making processes. Thirdly, it examines the ethnic profile of Auckland city, and fourthly reviews the diverse characteristics and living arrangements of the Auckland Chinese community as the research target. Finally, it explores the role of ethnicity in the real estate industry, specifically considering housing search and housing mortgage behaviours.
- Chapter Three presents the research methodologies which were applied to answer the research questions. It describes both focus group and interview methodologies, and presents the sampling process, data collection, and data analysis methods used.
- Chapter Four summarises the research findings within a framework of the relevant literature. The results are categorized into the following aspects: Auckland real estate industry review; the role of real estate personnel; the influence of ethnicity on real estate industry; marketing strategies; and mortgage strategies.
- Chapter Five interprets and discusses the key findings, considering theoretical and practical implications for the housing market. Particularly, it analyses the cultural role in housing purchase behaviour, and also discusses the marketing and mortgage strategies for multiple ethnicities.
- Chapter Six concludes and makes a number of recommendations to assist the operation of the Auckland housing market.

Chapter 2 Background Review

2.1 Introduction

Housing is people's daily requirement. While buying or renting a house depends on each person's own financial plan, there is no doubt that owning a home brings a better feeling to individuals. At the same time, there is no doubt that housing is the most expensive budget item for households in New Zealand. From the mortgage payment and property taxes, to heating system and furniture, the average family devotes the largest proportion of spending to the house. Zandi (2009) found that households in New Zealand devote around one fourth of their budgets to housing; by comparison, French households spend one fifth and only one seventh for the Japanese and Koreans.

The housing market is related to the economical environment of any nation. With respect to the micro economy, the housing market is individually boosted by the demand for dwellings from new immigrants, and by the optimistic forecasting of returns from housing investment. With respect to macro economy, housing search and mortgage services are an indispensable part of the service industry in Auckland, and contributed 68.76% to GDP in 2008 (Bascand, 2009, Aug 14).

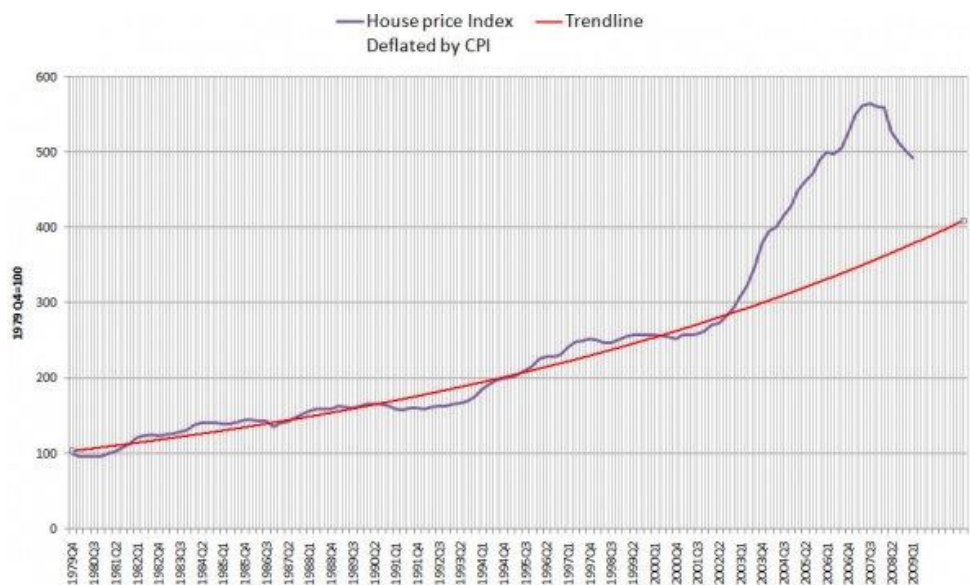
This chapter examines the ever changing trend of the housing market in the Auckland region and identifies the influencing factors that shape the real estate business in this multi-cultural city. Then it studies the role of real estate brokers by exploring through the eyes of both real estate brokers and housing buyers, and next it explores the common characteristics of the Chinese community in the Auckland region. Finally, it reveals the role of ethnicity in the real estate industry, and emphasizes the importance of ethnic considerations in the housing market.

2.2 Housing market in Auckland

2.2.1 The tendency of housing market in Auckland

As a sign of improvement for the housing market, the Mike Pero Mortgages Infometrics Property Cycle Indicator (PCI) rose strongly in July 2009¹. The PCI reading came in at positive 5.95 in August 2009, up from 3.98 in June. The PCI is a performance measure of the housing market that includes three factors: variations in the number of houses sold, changes in prices, and time taken for the deal to be finalised. As July 2009 shows the single biggest gain since 1991, it is a significant landmark which proves that the housing market is growing. The housing market in Auckland has traditionally demonstrated an upward movement in housing prices in the last few decades. By examining house price levels compared with the Consumer Price Index (CPI) for the last 30 years, it is evident that house prices are following the CPI – related to each other, and showing a consistent increase. In the figure below, we have used the Quarterly House Price Index (QHPI) as a reference. The data span ranges from the fourth quarter, 1979 to the first quarter, 2009.

Fig. 2: House price trends over 30 years.



Source: Quotable Value New Zealand

Notes:

¹ See <http://www.mikepero.co.nz/mike-pero-news/latest-news>

1. QHPI data are from Quotable Value New Zealand
2. CPI indices are from Statistics New Zealand
3. The housing price index in the fourth quarter, 1979 is set as 100, and each column represents a quarter.
4. The figure shows the real growth of house prices by adjusting for the inflation factor. Real house prices have multiplied five times within 30 years.

2.2.2 Factors influencing the Auckland housing market

Obviously, some objective factors positively influence the housing market, such as immigration, population growth, household formation and the impact of global money. However, some negative factors exist as well, such as increasing unemployment rate and unfavourable tax policy. These issues are briefly discussed below.

Traditionally, population growth has been a popular reason for any rise in housing prices in a region. Statistically, the Auckland region has a resident population of 1,313,100, and contains about one third of New Zealand's four million population. New Zealand's population will reach five million by the late 2020s, according to Statistics New Zealand (Bascand, 2009, Aug14) and, in the same period, the Auckland region is projected to account for 62 percent of New Zealand's population growth. Also, Auckland as the largest city in New Zealand has a higher growth rate compared with the country as a whole. The region's population is forecast to double by 2050, and only contains 2 percent of the total land area of New Zealand, therefore the high demand for houses leads to an increase in housing prices.

International immigration is an important factor in the growth of the Auckland region, and it is also likely to be a significant factor in the future. It has resulted in substantial changes to the cultural and demographic characteristics of the Auckland region and its physical landscape. These changes have a profound implication on various aspects of the city's planning that include provision for housing services.

Household formation is another determinant of the underlying demand for housing in New Zealand. Statistics New Zealand predict that the number of families is projected to increase by 23 percent from 2006 to 2031 while, during the same period, the number of households

will increase by 34 percent. The Auckland region is projected to account for almost half of the nation's increase in households between 2006 and 2031, increasing from 466,000 to 726,000. By 2031, 35 percent of all households in New Zealand will be in the Auckland region, up from 30 percent in 2006 (Bascand, 2008, Dec 12).

On the other hand, the average size of New Zealand households is declining, which also contributes to the increase in demand for houses. Average family size is expected to decline mainly because of an increase in the proportion of 'couples without children' and a decrease in the proportion of 'two-parent' families (which contain about four people, on average). There has been a marginal decline in average household size in the Auckland region, from an average of 3.00 persons in 1996 to 2.97 persons in 2006. This is equivalent to the requirement for an additional 15,000 dwellings (Bascand, 2008, Dec 12).

Global money has a great impact on the housing market of New Zealand. This is largely because of the flexibility of monetary systems and floating exchange rates. For example, the huge surpluses that were generated in East Asia in 1980s boosted the housing market of the United States and Canada, and throughout South-East Asia (Badcock, 2004). The constant flow of funds moved freely from one destination to another in order to chase the best yields available in the global housing market.

Globally, there are no common rules amongst countries for buying and selling houses. The housing market is largely influenced by global activities, and deregulation of New Zealand's financial sector created a better opportunity for overseas investors to invest their funds in New Zealand. The liberalization of New Zealand's investment guidelines enabled foreign investors to gain better returns due to higher domestic interest rates, particularly during the 1990s. Therefore, the banks in New Zealand have adopted mortgage policies that are strongly influenced by the presence of global surpluses in the domestic market (Badcock, 2004).

Factors such as the level of unemployment in the economy are also responsible for movements in housing prices. The unemployment rate reached 6% during the second quarter of 2009, and some economists believe that it will reach 10% by next year. Historically, a high unemployment rate leads to a drop in house price in most economies (Badcock, 2004). In New Zealand, we can see that, when the unemployment rate falls to lower levels, house prices rise to the top. The price movements shown in Figure 3 reflect the influence of a World

economic crisis 1989-92, the Asian financial crisis of 1997-98, and the credit crunch of 2008. The unemployment rates during the former two crises are more than 6%, but the housing price (QHPI) is comparatively lower than average annual income. Also, the former two crises brought a temporary stoppage to a rise on housing prices which was sustained for three to four years. In the current credit crunch, there has been a greater influence on housing prices compared with the former two crises. Existing housing prices (QHPI) are comparatively higher than average annual income, while the unemployment rate has still the potential to increase to more than 6%.

Fig. 3: The influence of unemployment rate on house prices 1989-2009



Source: Quotable Value New Zealand

Notes:

1. The data QHPI is from Quotable Value New Zealand.
2. The unemployment rate is from Reserve Bank of New Zealand.

The levy of a Capital Gains Tax (CGT) is also a negative factor to the housing market. Some economists advocate levying CGT in NZ, though there is not much of a support from politicians to introduce such a policy, particularly for residential real estate. Craig Ellife, Auckland University tax policy and law professor states that a capital gains tax could raise up to \$2.7 billion a year, helping to offset the fact that, at present, 40% of individuals contribute

53% of taxes to New Zealand. This large quantity of CGT comes from a large volume of profits from capital gains, and New Zealand is now the only Western country which has not chosen to levy a CGT on the sale of residential property (Elliffe, 2009).

Elliffe (2009) emphasizes that CGT forms a broader base for government income, which can be seen by reference to CGT practice in other Western countries such as the US. However, the formula for determining a CGT should be considered through a comprehensive perspective, because there are different rules in different countries related to CGT. For example, the Australian government levies CGT to its residents on assets traded in any part of the world, but has determined that capital gains should not be taxed if one holds the property for more than three years.

2.3 *The role of real estate personnel*

The role of real estate personnel is critical in the minds of house buyers. For example, it was recently reported (Gibson, 2009) that the Homeowners and Buyers Association were concerned that some agents were reluctant to let potential buyers know of weather-tightness issues, and therefore can misguide those buyers. In the same article, a spokesman for the real estate industry rejected that criticism, though noting that migrants were particularly at risk because so many were unaware of the dangers of buying a New Zealand house. "I have a big problem with the fact that hundreds of new immigrants and some locals are literally stitched up into potentially leaky or actually leaky homes. Their eyes are wide shut and some owners and agents are genuinely relieved to find them" (Gibson, 2009).

To help clearly identify how real estate employees can help people to make decisions, this section of the study examines the business of real estate agents, salespersons and brokers, and focuses on the typical 'interventions' in the processes that are facilitated by real estate staff.

In New Zealand, real estate agents are licensed with the Real Estate Institute of New Zealand (REINZ) to open a real estate office. They must have a three-year work experience within the real estate industry, and pass all exams in subjects such as real estate law, property management, appraisal, accountancy and building codes. The person who is licensed by REINZ will have the letters of 'Associate of the REINZ (AREINZ)', and the office will have

the appellation of 'Member of the REINZ (MREINZ)'. These agents can then hire people to work as salespersons under their licence (Gilbert, 2002).

However, salespersons can only trade in property through the agent's licence. They are usually self-employed but must apply to the REINZ for a salesperson's ticket attached to the agent's licence. They work completely for commission on sales that result ultimately from their efforts (Gilbert, 2002). About 95% of all real estate offices in New Zealand allocate their commissions in the following way. The salesperson who closes the deal on the house sale will receive 25% of the total fee and the salesperson that first introduced the listing into the agent's office will get another 25% of the total fee. The other half of the total fee charged to the buyer will go to the agent who originally set up the business and who is legally responsible for the activities of his/her sales team (Gilbert, 2002).

Real estate brokers are agents who handle the financial side of buying and selling property on behalf of agents, in return for a commission. In other words, they provide mortgage services. Real estate brokers are required to have obtained a high school diploma, be at least 18 years of age, and pass a comprehensive written examination that covers knowledge of real estate laws and transactions. Additionally, a real estate broker is required to have 60-90 hours of in-field training, as well as a minimum period of three years actually selling real estate. It is the responsibility of a broker to be proficient in the laws governing real estate purchasing in the market they are working in, as well as being fully aware of all financing options (Lindahl, 2009).

A person may be both a real estate agent and a broker. Some real estate brokers are self employed, running their own offices and handling their own advertising. Many real estate agencies are one-man businesses, with the owner doing the job of the broker and real estate agent combined (Lindahl, 2009).

For the purposes of this research, the concept of real estate personnel is held to represent those individuals who are salespersons, agents and brokers who deal in the property market and provide real estate service to buyers. As such, it is relevant to discuss both marketing strategies and mortgage strategies used by those people.

2.4 Real estate buyer behaviour

2.4.1 The decision making of real estate buyers

Levy, Murphy & Lee (2008) note that the real estate industry identifies five separate family decision-making stages when buying a residential property. Each of the stages incorporates a specific element of the property decision-making process. Firstly, the problem recognition stage typically presents the decision makers with the question of whether to purchase a residential property. Secondly, the product specification stage includes decisions regarding general location, price range, and the main attributes required from a home (for example, number of bedrooms). Thirdly, the information search stage includes gathering information relating to properties on the market, inspection of selected properties, and initial contact with an estate broker. Fourthly, more in-depth analysis on a preferred property incorporates subsequent inspections of this property. Lastly, the final choice results in the negotiation of price and purchase of the property.

Real estate buyers first seek information to help them rationally carry out their housing search. According to Matthews (2004), there are basically two types of decision making rules: non-compensatory rules and compensatory rules. Non-compensatory rules mean that the properties are evaluated by a minimum acceptable standard. If they fail to reach this standard, further attribute evaluation for the alternative ceases. Compensatory rules imply a multi-attribute analysis to evaluate the properties. With non-compensatory rules, if the property does not meet a predetermined level on a range of prescribed criteria, it is eliminated from the evaluation set. With a compensatory decision-making rule, the buyers evaluate properties depending on multiple attributes and their preference. Buyers may use a combination of decision rules in choosing a property. For example, they may use a non-compensatory rule with a simple cut-off to narrow down options, and then apply more complex compensatory decision-making rules in subsequent decisions.

Based on the above real estate buyer decision making rules, it is suggested that real estate staff will normally classify real estate buyers into certain types, such as high income customers, non-conforming customers, distressed customers, Chinese community members, and so forth. One of the propositions in the thesis is therefore that real estate marketing

strategies diversely target different customer types, including but not exclusively specific ethnicities.

After the decision to purchase, the next important consideration for real estate buyers is finance. As a mortgage is the main way to put together a real estate deal, the critical function of real estate brokers is to professionally facilitate the acquisition of a mortgage for customers. According to the diverse demand of real estate customers, another proposition is that Chinese staff and non-Chinese staff suggest different mortgage strategies focused on different customer types.

Levy, Murphy & Lee (2008) also suggest that real estate personnel tend to concentrate their observations on the traditional nuclear family consisting of a husband, wife and children. This decision-making focus is reflected into three main themes that influence buying decisions: the impact of individuals within family, social collectivities external to the nuclear family, and the influence of the estate broker.

2.4.2 The mortgage behaviours of real estate buyers

When a purchasing decision has been made, the buyer may prefer to use the services of a mortgage broker who will deal with several lenders. As Wehse (2001) identified, the biggest advantage of having a mortgage broker arrange your loan for you is that such brokers are equipped to research the numerous lenders and different products available. Likewise, good mortgage brokers often have a good banking and finance industry history. In securing a home loan, the following aspects have to be considered:

- Loan pre-approval. This is a written confirmation from the lender that it is prepared to lend you money. The pre-approval lets you know exactly how much credit is available to you and this will allow you to focus your home hunting efforts in a price range that you can afford. The pre-approval is usually attached with certain conditions, such as a satisfactory valuation on the property you are buying, and your income confirmation (Wehse, 2001).

- Mortgage insurance. Normally, mortgage insurance will be required if borrowers are applying for a loan of more than 80% of the house price, and will not be granted if the loan is for more than 95% of the house price (Wehse, 2001).
- Credit reports. Buying mortgage insurance is related to your credit report. Any outstanding credit defaults will result in an application being immediately declined. Saving history is usually required by the mortgage insurers (Wehse, 2001).
- The multitude of different loans available. There are a range of options to assist you with home loan, such as major banks, credit unions, insurance companies, mortgage originators, regional banks, building societies; real estate companies etc (Wehse, 2001).
- Costs associated with the purchase of a property. The major costs that you will be required to pay include rates and land tax on the property pro rata, solicitor's fee related to the purchase, lender's mortgage insurance premium and property search fees etc (Wehse, 2001).

It has been found that the customer paid more attention to cost-related attributes of a mortgage offer, rather than brand, service, or convenience-related attributes. Kotykhov (2005) found that the determinants for customer decision-making when choosing mortgage providers are cost-related factors including application costs, interest rate, and borrowing limit. Other factors are the speed of loan approval decision, which is a customer service-related factor. However, the brand-related factors of customer decision-making, such as bank reputation, soundness and safety of the institution, and peer recommendations, do not significantly influence customer choice.

2.4.3 The expectations from house buyers to real estate employees

As real estate employees are one of three main influences over buyer decision making, house buyers consult real estate staff due to the following reasons:

- To gather information: one important role of real estate staff is to convey useful information to help house buyers in their search for a home. The information includes the motivation of the seller, location of the property, and physical improvements or defects. The provision of a multiple listing service allows real estate agents to look for

houses that will fit the customer's needs. Information regarding age, size, number of bedrooms, number of bathrooms and other physical or financing information is helpful for identifying homes for further information.

- To save time: Baryla & Zumpano (1995) state that real estate agents are able to reduce buyer search time for all classes of buyers, whether first-time, experienced, or an out-of-town buyer. As information asymmetries exist in the residential real estate market, real estate agents can bring about a more efficient housing search.
- To perform a social and cultural function: Myers & Crowston (2004) suggest that, from a social and cultural perspective, information technology may lead to an increase in the social capital of real estate agents. The increase of social capital is to use information technology to gain more business. Although information technology brings a platform that house buyers and sellers can use to trade with each other, (particularly buyers can find more sources), they may actually need more help interpreting and putting the data into context. Mass information may not reduce the perception of risk for customers who have little experience with the complexities of real estate. Rather, these individuals need access to embodied expertise and other resources. Therefore, the social and cultural function of real estate staff is unlikely to be replaced by any virtual real estate agent.
- To validate market advertising: not all opinions on the role of real estate staff are positive. Haag, Rutherford & Thomson (2000) argue that most of the comments from real estate agents are helpful to boost the selling price. However, some real estate agent remarks can be described as “hype” rather than help. Some positive comments which are often associated with higher sales prices lead to marginally lower selling prices, such as new paint, new carpet, new roof work etc.
- To gain bargaining expertise: another important role of real estate staff is to provide advice and bargain for clients. Patron & Roskelley (2008) find that staff are less likely to provide aggressive bargaining advice to their client when they receive percentage commissions and when they work for the buyer. They are also less likely to suggest aggressive bargaining strategies when there is little market competition, the gains to trade are large, in markets where housing values appreciate slowly, and when dual agency is permitted. More importantly, they show that staff are more likely to bargain aggressively and capture a portion of the gains to trade for a client when the house sale price is closely related to the agent's reputation and future business.

- To secure the best mortgage terms: the third crucial role of real estate staff is to provide mortgage services. Qualified real estate brokers are knowledgeable on the sources of mortgage finance to help customers solve and cut down the financial cost. They are familiar with mortgage policies from different banks, and also have first hand information of mortgage policy changes from government. For example, the New Zealand government is apparently about to consider setting a maximum interest rate that lenders can charge (MacLennan, 2009), for New Zealand is one of the few countries left that does not have loan shark laws in place.

Levy, Murphy & Lee (2008) believe that, in New Zealand, the estate agent has a large amount of power when negotiating contracts between buyers and sellers, and this power has a major influence over buyers and sellers who may initially be muddled by emotion. Besides, Anglin (1997) has identified that controversy arises because an agent usually works for the seller but many buyers are confused about this fact. Working for the seller means providing information to buyers to reduce their search costs. A good agent should know about the buyer's taste including the expected duration of search.

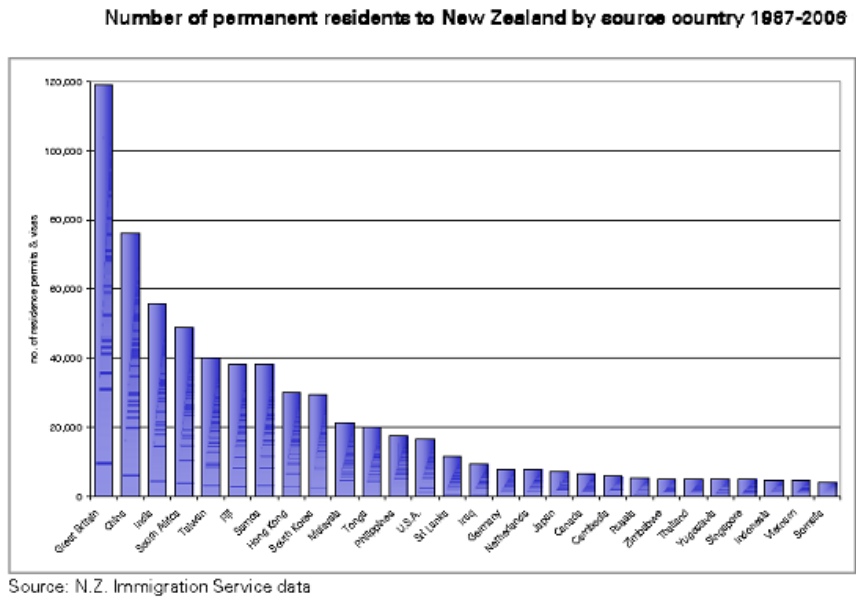
Moreover, within the context of a market in which lawyers are often not consulted until after a contract is binding, and in which estate agents have the power to negotiate contracts, the emotional dimension in the decision to purchase can constitute a leap of faith. For New Zealanders, this faith rests on a significant level of trust in the estate broker and the belief that property is a tangible asset that always appreciates in value (Anglin, 1997).

2.5 Ethnic trends in the Auckland region

The number of New Zealand permanent residency approvals issued since the change in immigration policy in 1987 is shown by country of origin in Figure 4. Previous immigration policy had been based on the concept of preferred source countries, but this new policy focussed on the characteristics of individual migrants, particularly favouring those with high levels of education or work experience, those who were relatively young, and those who would bring investment capital into the country. Since then, the second largest single source country has been China. Between the 2001 and 2006 censuses, the most notable increases

were from China and India, in each case more than doubling their populations over this period.

Fig. 4: Immigration to New Zealand by source country 1987-2006



New immigrants have a clearly evident ethnic background due to their overseas born status. Ethnicity is a measure of cultural affiliation, and it is self-reported in the Census. Following the changes to New Zealand’s immigration policy in 1987, there has been a steady increase in the percentage of the national population who were born overseas. At the 1986 Census, only 15% of the New Zealand population were overseas born. This increased steadily to reach 27% by 2006. In the Auckland region, as a major destination for migration, 23% were born overseas in 1986, rising to 37% of the population born overseas by 2006 (Auckland Regional Council, 2007).

The greatest increase amongst all ethnic groups in the last 15 years has been those from Asia. This has been as the result of rapid increases in immigration, particularly in the mid 1990s and then again early in the new century. With regard to net migration demography, there have been 411,400 arrivals in the five years to 2008, compared with more than 355,300 departures in the same period – however, the main components of new immigration are from Asia, while departures are mainly native-born New Zealanders. Further, a large proportion of Asian immigrants have settled in the Auckland region. In 2006, 66.1% of all those who identified as

Asian lived in the Auckland region. And Auckland's resident population includes 9.2% of residents of Asian origin (Auckland Regional Council, 2007).

Additionally, the Asian age-sex structure in the Auckland region is a notable reflection of the current immigration policy. About 21% of population is in the 15-24 years age group, reflecting the large numbers of students arriving under the provisions of the international student visa. Also, the existence of a large cohort aged between 35 and 49, and a relatively small cohort aged over 60 years, reflects the age selectivity of the general (skilled) immigration policy (Auckland Regional Council, 2007).

Diverse ethnic groups have influenced the Auckland region in many ways, with one of the most obvious being the evolving "ethnoscapes", a term used to describe the visible and not-so-visible changes which new migrant groups contribute to each other. Some of the most visible of these are the retail and food enterprises which have developed throughout the Auckland region, though concentrated in certain areas. At a less visible level, changing ethnoscapes are manifest in the proliferation of foreign language newspapers, radio stations, and ethnic associations. All these changes will result in changing expectations and opportunities in the economic and cultural spheres of the Auckland region (Auckland Regional Council, 2007).

2.6 Chinese community in the Auckland region

High proportions of Chinese arrived in New Zealand in the five years up to 2006, and the great majority have arrived since 1987. Their economic and educational profiles are polarised, with many not in the labour force (students and older people who came with large assets) but significant proportions are employed with postgraduate degrees in more skilled occupations as a result of the selectivity of the immigration points system (Auckland Regional Council, 2007). The settlement patterns of Chinese group in the Auckland region are significantly different from other ethnic groups, partly as a result of the different socioeconomic profile of these groups, and it is important to note that about one fifth of permanently resident Chinese were born in New Zealand, reflecting the long-term history of this ethnic group in this country (Bell, 2001).

Liu (2005) suggests that there is not a single uniform identity that one can use to characterise the Chinese community in New Zealand in the twenty-first century. According to the 2006 census of the Auckland region, 98,391 Chinese residents were classifiable into three broad groups: the local-born, about 19 percent of the cohort, and the new migrants who arrived in 1990s, about 60 percent of the cohort. The remaining 20 percent is made up of older people who arrived as war refugees in the 1940s-50s, and those with specifically sought-after skills who arrived under the “Occupational Priority List” of the 1970s.

Though more than half of the Chinese ethnic group were born in the People’s Republic of China, reflecting migration trends that were common in the 1990s, the new migrants have come from source districts such as Hong Kong, Taiwan, Malaysia, Singapore and Mainland China. Nonetheless, these sub-groups appear to share many common characteristics, such as language, living arrangements, religion, cultural identity and residential settlement (Bell, 2001).

The most important common characteristic is the spoken language. Mandarin as a tonal language is spoken by about 70 percent of the population (Bell, 2001). Various other Chinese dialects are also spoken but, as China’s official language, Mandarin can be understood by most Chinese. The written language is the same for Mandarin and the dialects, but the pronunciation differs. Cantonese, the dialect from Guangdong Province, is the most widely spoken dialect in the south of China. Most Chinese parents consider Mandarin as a compulsory subject for the early education of their children, and they may choose to hire a private teacher to teach their children speaking and writing the Chinese language (Bell, 2001). Therefore, Mandarin is a key symbol to Chinese residents.

In Auckland’s Chinese community, many overseas born immigrants speak Mandarin or other dialects instead of English in daily life – as such, Mandarin is irreplaceable by English in the Chinese community. A percentage of Chinese, particularly older people, do not speak English at all, which means they live in an entirely Chinese community, watching Chinese TV, reading Chinese newspapers, and making Chinese friends.

With regard to living arrangements, the Chinese community has become predominantly urban and family members live together in order to look after each other. Children are traditionally looked after by their parents or grandparents, and adult children traditionally look after their

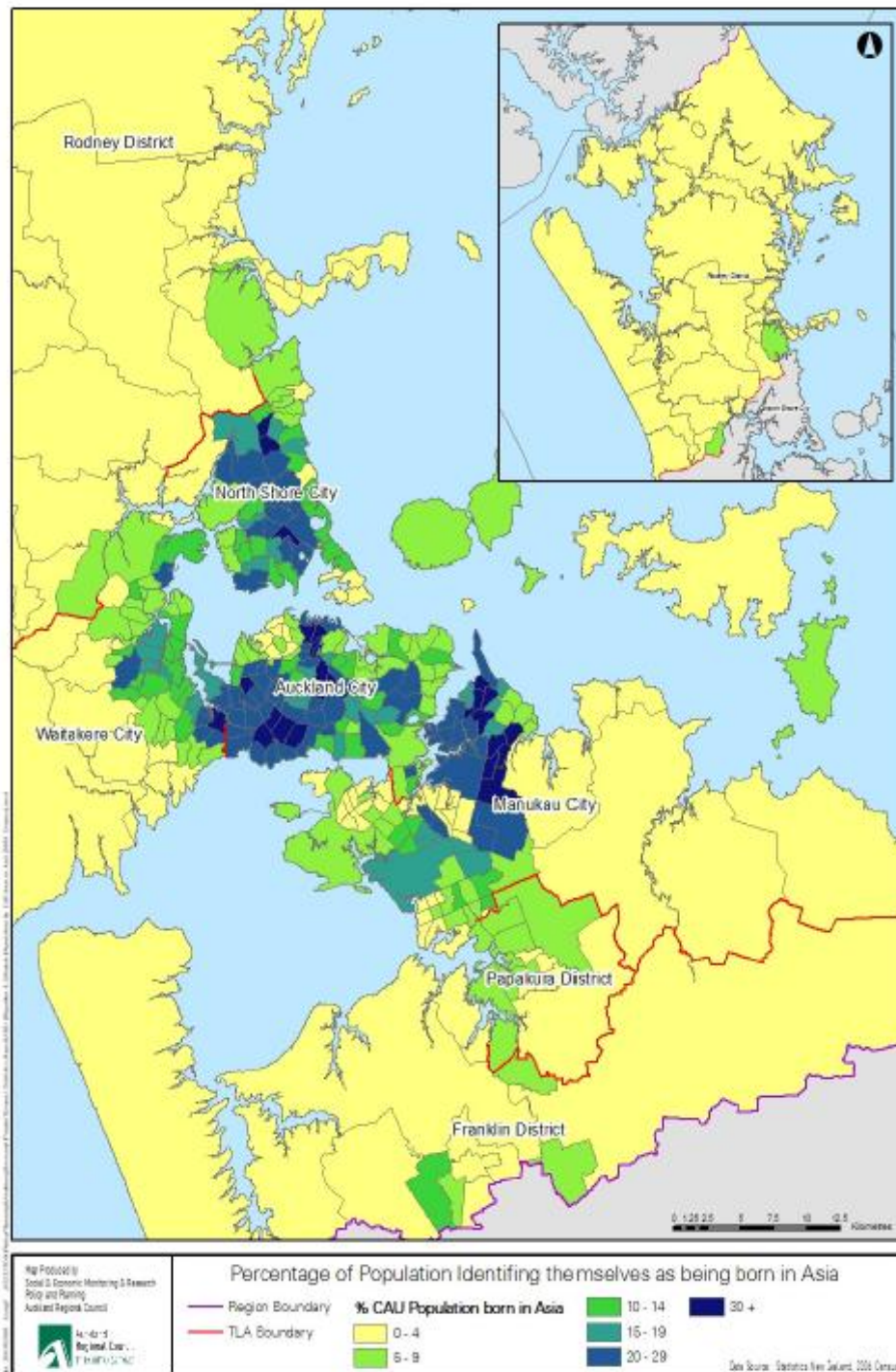
parents (Bell, 2001). Large families in the Auckland region are not popular due to the “one child” policy that has existed in China since 1976, though Kamo & Zhou (1994) have shown that women who immigrated at older ages are more likely to have extended family living arrangements. Asis, Domingo, Knodel & Mehta (1995) suggest that, at least for the next generation, co-residential living by elderly people with children will continue to be a viable option for the Chinese community.

Feng Shui is both an art and a science in the Chinese community, used to create harmony, beauty and balance in living arrangements. It is a practise of placement, arrangement and enhancement of space to achieve harmony with the environment, studying the best location for plants, crops, home building, and honouring ancestors. The origins of Feng Shui can be traced back to China three thousand to five thousand years ago, and since then it has withstood the test of time. Today, Feng Shui is used all around the world to analyse a property, to assist in landscape and architectural design, and to benefit community planning. It is used to assess the environment, identify and remove obstacles, create a natural flow, and energize the environment by clearing the space, arranging furniture, selecting best colours, and adding enhancements. Colours and numbers are significant for Chinese people - for example, red is regarded as a lucky colour, while uneven numbers are inauspicious (Lin, 2000).

As regard to religion, China is officially atheist, but traditional Chinese tend to practise a combination of Confucianism, Buddhism and Taoism, including aspects of each faith. More than 15% Chinese in New Zealand are statistically shown to be Christians (Bell, 2001). The common holidays and festivals are Chinese New Year, Lantern Festival, Dragon Boat Festival, Mooncake Festival, and National Day. In holidays, family members gather together to celebrate, and greet older family members. It is considered impolite for young people to call elders by their given name. Titles or respectful forms of address, such “Sir” or “Professor”, come after the name (Bell, 2001).

Figure 5 shows that the pattern of Chinese settlement in the Auckland region can be identified statistically. There are several concentrations of Asian-born population in the Auckland region, with the Central Business District hosting a significant cluster of younger people, mainly students. Considerable numbers of Chinese migrants live in the south-western parts of Auckland city (Mount Roskill and Mount Albert), for these suburbs are areas of

Fig. 5: Percentage of residents born in Asia by Census Area Unit (2006).



Source: N.Z. immigration service data.

medium cost housing that have attracted both migrant renters and homeowners. In the suburbs around Epsom, higher value properties also house Asian migrants, with the other major cluster of Asian-born migrants running in a band from Pakuranga – Howick through the east Tamaki corridor. The predominant group in this population is Chinese, particularly those who arrived from Taiwan and Hong Kong with significant assets during the 1990s, but the number of migrants from the People's Republic of China has continued to increase in this area as well (Auckland Regional Council, 2007).

2.7 *The role of ethnicity in the real estate industry*

Customer needs in the housing market are diverse, due to their financial situation and their personal preferences. Furthermore, personal preferences which lie in the house buyer's mind may well involve ethnic factors, for Schill & Wachter (1995) have discerned that the housing market is constrained and spatially clustered by income and race. In this respect, correctly identifying who is the main decision maker in a family can enable brokers to avoid mistakes and any misleading of their clients' decision making (Levy, Murphy & Lee, 2008). For example, women were the major influencers particularly prevalent in Kiwi families who were living in higher socio-economic locations (Levy, Murphy & Lee, 2008).

Painter, Lihong & Zhou (2004) have found that the Chinese community in an American city has a higher percentage homeownership than native white households, and that the determinants of buying a house for Chinese Americans are assimilation, ethnic concentration and nativity. Moreover, there is a social network of immigrants that contributes to the decision making process of the ethnic group when buying a house. In this respect, Choudhury (2001) found a notable disinclination on the part of minority households to invest in riskier, higher-yielding financial assets, which may account for some of the great disparities in wealth and asset choices across racial and ethnic groups. However, racial and ethnic differences in housing equity are smaller in the higher income quartile.

Levy, Murphy & Lee (2008) believe that the decision to purchase a house is embedded within a set of economic and socio-cultural processes, and is operationalized within the context of a specific local property market. It is identified as an internal family decision-making process which involves a series of social activities shaped by basic family factors, and ethnicity is one

of those factors that significantly influence decision-making. These authors found that the degree of emotional involvement in the purchase was influenced by gender and ethnicity, with (for example) Asians tending to be head buyers as opposed to Samoans who were heart buyers. Head buyers are more concerned with location, price, and maintenance costs, whereas heart buyers just see a property and decide that they are going to have it. For another instance, family and friends of Asian families were more likely to influence the purchase decision, whereas New Zealand European families tended to be more independent of these outside influences.

In this respect, Chinese people are sometimes described as the toughest negotiators in the world. According to Kidd & Richter (2004), a survey in the late 1990s among 127 Western companies doing business with China shows that Western business executives considered knowledge and skills about negotiation in China to be the most important factor for success in trading with Chinese. It implies that the successful trades rely on the exact understanding of Chinese culture and particular strategies.

However, Anglin (1997) suggests that, no matter what the type of agent, or the characteristics of the buyer, a buyer's behaviour is significantly affected by the number of neighbourhoods inspected and whether the buyer thinks about buying a new house. Levy, Murphy & Lee (2008) suggest that the more the experience the less likely the family will be influenced by individuals external to the nuclear family.

2.8 Summary

In general, the housing market in the Auckland region is prosperous. Natural population growth, immigration and global money are the main reasons for this prosperity, although rising unemployment and the prospect of CGT are negative factors that work against the booming housing market.

The house purchasing process can generally be identified as a five stage process, and real estate brokers classify their clients into different types, according to a customer decision-making process which is influenced by (amongst other things) an ethnicity factor. As part of

this process, the influence of real estate brokers is one of the main sources of information for house buyers.

New immigrants have a distinct and evident ethnic background due to their having been born overseas. Diverse ethnic groups have influenced the Auckland region in many ways, including the housing market, and Chinese as the largest minority in Auckland have an evident role of importance.

Therefore, it is necessary to identify the role of real estate employees dealing with immigrant home buyers in the Auckland housing market. The more clearly this role can be identified, the less chance of misunderstanding and misleading from local real estate agents and brokers.

Chapter 3 Methodology

3.1 Introduction

This chapter examines the methodology applied in this thesis and also provides a justification for its use. The chapter starts with an identification of the research approach employed, followed by sections on the focus group and interview methods used, and the data collection and analysis processes. Issues relating to ethics are briefly discussed, and the chapter concludes with a discussion of limitations and risks of the study.

3.2 Research Approach

The research methodology indicates the way in which one makes sense of enquiry (Chitale, 2006), and the ultimate quality of the research relies on the selection of appropriate research methods. Likewise, the choice of research method is dependent on the research purpose, research questions, and overall intention of the project. This research adopted a phenomenological approach as the main philosophical assumption. The project was located amongst the phenomenon of a multicultural housing market in Auckland, looking at diverse real estate strategies to try to understand what leads to the difference of strategies employed by Chinese and non-Chinese employee groups.

To obtain the research data, the researcher selected a small sample in order to gather multiple perspectives from local real estate professionals. A mixed methodology was used, adopting a range of data collection methods from both qualitative and quantitative paradigms. To collect data from employees themselves, focus groups were organised to accommodate two major subjects - Chinese and non-Chinese NZ real estate employees in the Auckland region - but opinions from other real estate experts were also considered to be an important resource and a third focus group organised to gather this opinion.

Segregation of these three groups was preferred due to the nature of the questions being asked, which were not always culturally applicable across all parties, and the three groups finally used were comprised of:

- (a) experts who have worked for a long time in the Auckland residential housing market
- (b) real estate agents and brokers who are of Chinese ethnicity
- (c) real estate agents and brokers who are not Chinese.

Each of those focus groups was used to generate questions for a following range of interviews, with up to six Chinese and six non-Chinese real estate employees – this figure was chosen due to time and other resource limitations. The interview questions were developed after the focus groups were completed and using the data from the focus groups.

3.3 Focus Groups

To undertake a comparative study of the perspectives and roles of real estate brokers in the Auckland housing market, this project adopted a focus group approach to collect and compare the marketing and mortgage strategies of Chinese and non-Chinese real estate staff.

As the intent of the research was to compare the strategies applied in the real estate industry, it was thought important to collect experienced opinion directly from those who are professional employees of that industry. The focus group method is commonly accepted as a tool by which points of view may be gathered from five or six people simultaneously, and the method used in this study is strictly in compliance with this design.

The main advantages of using focus groups are that a variety of viewpoints can be gathered in order to support the discovery of underlying trends and motivations. Focus groups also stimulate group interaction and discussion, and they are cost-effective. Their disadvantages are that group interaction can stifle some individuals from participating, and that they lack the depth of comment available through individual interviews. As such, their results may not always be definitive (Matthews, 2004).

A series of three one-hour focus groups was conducted with professional real estate agents and brokers, or other real estate experts, to help to collect relevant data. While one focus group was entirely comprised of Chinese agents and brokers, and another of non-Chinese agents and brokers, the third group was termed the “other expert” group, chosen on the basis of members’ long work experience in the Auckland retail property market, and their

widespread experience of real estate industry operations. According to Gibler & Nelson (2003), depth of experience and satisfaction level of past clients plays a major role in the real estate purchase process.

Although audiotape was used in the discussion, all information provided in the focus group was treated as confidential, with participants involved in this research identified using pseudonyms in subsequent writings. Withdrawal from participation within two weeks of the focus group being completed was acceptable, though no participant did withdraw.

3.4 Interviews

After gathering initial opinions from the three focus groups, interviews were used as the second method to dig out deeper information and collect professional real estate perspectives. This method was chosen because it offers participants a chance to express an in-depth insight into the subject and to explore broader knowledge areas, and because in-depth interviews with professional real estate staff and other real estate industry experts would help to answer the questions that emerged from focus group discussions. Again, audiotape was used in the interview with the consent of participants, and all information provided in the interviews was confidential. Participants were again allowed to withdraw from participation within two weeks of the interview, and pseudonyms only were used in subsequent writings.

It was anticipated that important insights might result from a small number of interviews being carried out with real estate staff and other experts. However, it is important to note that the usefulness of this research method is not determined by how many people say something, but by *what* is being said and *how* it is being said. In the search for an in-depth insight into the subjects, it is not the power of the numbers that are important but the power of words and images. By offering respondents a creative setting, they can express their ideas in a manner that appeals more to the imagination (Durkan, 2005).

3.5 Data Collection

A qualitative approach was used to gather data from three focus groups: experts in the real estate industry who provide professional opinions; Chinese real estate staff; and non-Chinese

real estate staff. Each of these focus groups was conducted in order to generate questions which would then be included in the subsequent interviews. It was decided that the focus group size would be approximately five individuals in each group.

The sample size was determined through discussion with the supervision team. Though people of Chinese origin have made a significant contribution to the real estate industry in Auckland, initial impressions were that there may be insufficient numbers of agents and brokers active in the industry to provide a larger sample – the number of non-Chinese participants was chosen as a control group of equal size to the sample of primary interest. All participants had some connection with the real estate industry in Auckland, some as real estate agents or brokers, and some as expert informants in other aspects of the industry. Between half and two thirds of all respondents were selected because of their Chinese ethnicity. However, there was no previous relationship between the researcher and any of the participants.

Focus group members were found through reading agents' and other experts' media advertisements and extending an invitation to participate by telephone. Firstly, the researcher assembled a sampling frame by review of newspaper advertising, and classified those advertisements into Chinese and non-Chinese family names. Then the researcher randomly selected from each of these lists until sufficient participants were found. Each potential participant was first approached through a visit to office in order to introduce the project face to face. For those who indicated interest, a subsequent telephone or email appointment was made to secure participation in a focus group.

After the focus groups were completed, depth interviews were conducted with six Chinese real estate staff and six non-Chinese real estate staff. The questions used in these interviews were based upon the ones used to guide focus groups, though these had been amended as a result of focus group discussion. Candidates for interview were again identified by following up on media advertisements, and by recommendations that emerged from focus group discussions. Participants in these focus groups and interviews chose to do so through their kindness. To show appreciation for their help of participation, the researcher prepared some small souvenirs, such as pens, as a participant gift.

3.6 Data Analysis

Most of the focus groups and interview discussions were audio recorded and transcribed, though four interviews were not tape-recorded due to the participant's asking not to be recorded. These four interviews were transcribed by the researcher, working from hand written notes taken during the interview. One focus group and three interviews were conducted in the Chinese language, and were interpreted into English by the researcher.

One possible method of data analysis was to use NVivo content analysis software at the beginning of the research. Considering the short time frame of the research project, this approach was not used. Instead, data analysis was undertaken by using content analysis, which is relatively less time-consuming than learning to use and interpret NVivo software. The method of content analysis involves "analysing text with respect to its content, with the factors of interest most often relating to meaning, or how many times (the frequency with which) particular phrases/terms appear" (Page & Meyer, 2003). It is particularly useful when the qualitative research includes open-ended questions, and will typically reveal key themes and results in the data.

In this process, the answers of participants are systematically coded, described, and classified into different categories, with each category subject to analysis to gain a theoretical understanding of the meaning of data collected (Collis & Hussey, 2003). The basic steps are:

- Identifying themes in bibliographical sources
- Categorizing themes
- Analyzing theme categories within a theoretical framework

3.7 Ethical considerations

The research design used in this case was extremely conventional, in that focus groups were used to identify elements that would benefit from further investigation, and subsequent depth interviews used to evaluate these elements via standard qualitative techniques. In order to respect issues of intellectual and cultural property ownership, the researcher strictly followed

Unitec's intellectual property policy for guidelines in order to consult with potential participant groups as to the most appropriate processes in this regard.

However, though recent immigrants to New Zealand of Chinese origin form a significant sample of interest in this research, it was by no means easy to identify a representative grouping with whom to consult, nor was it easy to identify questions that might usefully be asked during this consultation. As a member of this ethnic sub-group herself, the researcher is fully aware of the protocols necessary in the conduct of this research, and observance of these protocols was a necessary element in securing the necessary data.

In terms of meeting specific cultural requirements of an ethical dimension to the research, the researcher committed to the rigorous application of Tao Zhugong business principles, as often adopted as an ethical code by traditional Chinese businesses (Pheng, 2000). The twenty four business principles extracted from Tao Zhugong's original eighteen principles remain practical for many Chinese in the modern-day real estate business setting (Pheng, 2000).

A pre-approved information sheet and consent forms were used to inform intending participants of the details of the project. Signed consent forms were stored in a locked fireproof cabinet at Unitec, and the data gathered from focus groups and interviews were stored on a password protected file on the researcher's laptop computer. Only the researcher and primary supervisor were granted access to the consent forms and data, and the consent forms and data will be retained for five years before physical destruction.

All participants were adults, and no children were involved. All participants were anonymous and the data collected used only for the purposes of research. Finally, to avoid any conflict of interest, all participants were selected from a listing of professional real estate agents, brokers and other industry experts, a field of commerce that the researcher had no prior connection with.

3.8 Limitations of the study

Nevertheless, there is no perfect research in the world. Although focus groups and interviews were conducted under the regulated criteria, the study contains a number of limitations which

have been disclosed below. The limitations established are due to bias, and it is important for the researcher to ensure the biases of a particular geographical location or ethics are not regarded as being representative of a more widespread phenomenon.

- **Geographical bias:** The study was conducted in a particular city, which was Auckland. This area was only a sample city, not a representative of New Zealand or elsewhere, and the case study results are therefore limited or restricted to the city environment.
- **Ethical bias:** Ethical issues may have been relevant to the disclosure of market information, both from Chinese and non-Chinese respondents. For example, some staff may have preferred dealing with certain ethnic groups due to a lack of understanding of the behaviour of other ethnic groups. Chinese staff may not have a full understanding of non-Chinese clients, while non-Chinese staff may not have full information about Chinese clients.
- **Lack of funding and time:** The study was limited to a small size of sample and was bound to limited questions, due to the lack of funding and time for recruiting more professional brokers.

3.9 Summary

In general, focus groups and interviews are valuable methods for gathering rich and detailed descriptions of the perceptions of participants. Focus groups were recruited to gather professional and valuable points for further discussion, while interviews were applied to identify more detailed and diverse insights. The research methodology used is particularly necessary in studying a completely new topic that has not been well researched previously.

Furthermore, ethical issues have been fully considered in the study, as they involve an engagement with a unique ethnic community, using Tao Zhugong business principles (Pheng, 2000) as a Code of Ethics.

Chapter 4 Results

4.1 Introduction

This chapter presents the findings of the focus groups and interviews performed on behalf of the project. The findings are on the basis of responses received from all qualified participants during the focus group and interview sessions. The chapter starts by describing the basic characteristics of all participants in terms of their age, experience, ethnicity, and time spent in New Zealand, and continues to results of questioning about the real estate industry in Auckland. The chapter then addresses participant comments about the influence of ethnicity on the real estate industry and the role of real estate agents and brokers in decision making. Finally, it presents data collected about the marketing and mortgage strategies employed by participants in the study.

4.2 Factual Information

As previously mentioned, the study consisted of three focus groups and twelve interviews with real estate employees and other experts in the Auckland market. A summary of factual information regarding these participants is shown in Table 1.

In total, twenty eight people participated in this study. The list includes real estate agents of various ethnicities, mortgage brokers and a staff member at a tertiary education institute who is very familiar with the Auckland housing market. The gender composition was one third female and two thirds male, and participants' ages varied from twenty five years to sixty five years with an estimated average of forty three years. In terms of ethnicity of participants, thirteen participants, including two Malaysians, were of Chinese ethnic origin and dealt primarily with Chinese clients using the Chinese language. The thirteen non-Chinese included New Zealanders, Europeans, Indians, an agent from Fiji, and a Thai national who dealt primarily with Chinese clients in the English language.

Apart from the native-born New Zealander participants, the others have been resident in New Zealand for an average of fourteen years, and all had considerable experience in the real estate industry with an average of seven years of service. Particularly, participants in the

expert focus group possessed a longer work experience, with an average of about nineteen years in the industry.

Table 1: Participant Characteristics

Participant		Title	Gender	Age	Industry Experience (Years)	Ethnicity	Living in NZ (Years)
Chinese Focus Group	A1	Salesperson	Female	45-55	12	Chinese	> 20
	A2	Salesperson	Male	35-45	7	Chinese	12
	A3	Salesperson	Male	25-35	2	Chinese	9
	A4	Salesperson	Male	25-35	2	Chinese	9
	A5	Salesperson	Female	25-35	< 1	Chinese	8
	A6	Broker	Male	35-45	5	Chinese	8
Non-Chinese Focus Group	B1	Salesperson	Male	35-45	4	Indian	9
	B2	Salesperson	Male	35-45	4	Fijian	12
	B3	Salesperson	Male	45-55	4	Thai	5
	B4	Salesperson	Male	35-45	18	European	30
	B5	Manager	Male	25-35	12	New Zealand	N/A
Expert Focus Group	C1	Salesperson	Female	55-65	20	New Zealand	N/A
	C2	Salesperson	Female	55-65	17	Malaysian	20
	C3	Salesperson	Male	45-55	18	Chinese	20
	C4	Salesperson	Male	45-55	15	Chinese	20
	C5	Academic	Female	45-55	24	New Zealand	N/A
Chinese Interview	D1	Salesperson	Female	25-35	7	Chinese	13
	D2	Salesperson	Male	25-35	3	Chinese	7
	D3	Broker	Female	25-35	2	Chinese	4
	D4	Salesperson	Female	25-35	1	Chinese	8
	D5	Salesperson	Male	25-35	3	Chinese	10
	D6	Salesperson	Male	45-55	6	Malaysian	> 20
Non-Chinese Interview	E1	Salesperson	Female	35-45	4	Indian	5
	E2	Salesperson	Male	45-55	< 1	European	15
	E3	Broker	Male	45-55	12	Indian	30
	E4	Broker	Male	45-55	6	New Zealand	N/A
	E5	Salesperson	Male	35-45	2	Indian	20
	E6	Broker	Male	35-45	13	New Zealand	N/A

Data collected from these respondents generated more than forty pages of transcript, and these data were interpreted by splitting into five main categories:

- the real estate industry in Auckland
- the role of real estate employees
- the influence of ethnicity on the real estate industry
- marketing strategies of Chinese and non-Chinese staff
- mortgage strategies of Chinese and non-Chinese staff

As mentioned in chapter three, the focus group phase was implemented to assist with establishing the correct questions for the subsequent interviews. As a result, the following questions were deleted from the interview phase, as the answers from the participants were uncertain to the point of almost being unknown:

- How long does it take for a new Chinese immigrant to discover the nature of the New Zealand housing market and to buy a house?
- What is the average decision making time for Chinese buyers compared with non-Chinese buyers?
- What other aspects do you think are the most different between Chinese and non-Chinese buyers when a decision is made to buy a house?
- What other aspects do you think are the most different between Chinese and non-Chinese buyers on mortgage behaviours?

Some additional open-structure questions were added due to their frequent appearance in the focus group transcripts and their consequent importance to the research. They were:

- Compared with non-Chinese buyers, are Chinese buyers more emotional towards buying a house?
- Do Chinese buyers commit unconditionally to buy a house?
- Is there greater trust between agents and buyers when a relationship is based on the same language and cultural background?

4.3 Review of the real estate industry in Auckland

In order to gather participants' views of the Auckland housing market in reality, the questions below were asked:

- *What have been the main developments in the housing market in Auckland during the last ten years?*
- *What do the next five years prospects look like?*

All participants agreed that housing prices are going up and will continue to go up in the next five years, with participant B5 noting that the housing price doubled every ten years in Auckland. The main reasons to boost the housing prices were:

- The growth of population including new immigrants
- Global money
- The increase of income
- Inflation

Backtracking over the last ten years, as per the views of participant A1, the Auckland market has been hit by a few recessions in the last decade, but the bulk of mortgagee sales took place last year. Some local people bought houses when they temporarily had access to money, but because recession had influenced their financial situation they had to mortgagee sell their houses.

Participant E2 said that the New Zealand housing market was hit by crisis in 2007. The New Zealand market stopped growing temporarily for several months, which resulted in a lack of motivation from buyers, and lenders who were not willing to lend money. This phenomenon drove people to opt for renting houses rather than buying houses. According to this participant, 70 percent of households owning their own property will decrease to 60 percent owning property in Auckland over the next five years. Participant B5 mentioned that there exists a seven-year cycle in the market from prosperity to recession, and participant A1 thought that this market was reflecting the leverage principle to adjust the price by itself. In general, participants thought that it was at present a healthy market.

4.4 The role of real estate employees

The role of real estate employees in New Zealand is important in developing marketing and mortgage strategies. Participants in this research identified the following roles as key elements of the real estate agent role:

- Listing and promoting property for sale
- Providing information and education
- Negotiating and communicating with buyers and sellers of property
- Selling property

Participant D1 stated that the key role of Chinese agents is in communication with non-English speaking Chinese buyers, both to buy and sell houses and to give after sales service. Participant D2 emphasized that, unlike local people, Chinese investors from overseas are not very familiar with this market and he has a particular information provision role for those who are first time buyers in Auckland.

From the perspective of a real estate broker who provides mortgage service for clients, the following roles were identified:

- Consolidating loans
- Providing financial advice

4.5 The influence of ethnicity on the real estate industry

To examine the importance of the Chinese community in the Auckland housing market, participants were asked to state *apart from native-born New Zealanders, what is the largest ethnic group you are dealing with.*

All of the Chinese brokers mainly had Chinese or Asian clients, apart from native-born New Zealand customers, and participant D2 even said that his chosen target market is Chinese. He said that the purchase ability is very strong in the Chinese community, and it is a very active

market due to the cultural need amongst Chinese people to buy a house and settle down. Similarly, participant C5 believed that the Chinese population forms a considerable volume in the Auckland market, as they have money from China that they would like to use to buy property in this market.

Non-Chinese brokers have different answers. Brokers C1, B1 and B2 (all of whom work at Mt Albert or Mt Roskill) regarded Chinese people as their most important clients apart from native-born New Zealanders. However, according to the views of participant B4, this also depends upon the suburb the agents are working in. B4's clients are normally from Ponsonby and Greenlane, where there are not many Chinese customers, but if you go to Mt Roskill or Mt Albert there are many more Chinese customers.

In addition, as participant E6 stated, normally Chinese customers prefer to go to Chinese agents. Participant C2 said that, if I deal with people from China, they prefer speaking in Mandarin - even if they can speak English, when they turn to me they speak Chinese. Indian participants E1 and E3 said that their major customers are Indians, while New Zealand born participants B4, E4 and E6 focus on New Zealand born customers. In summary, participant E3 thought that there was a big gap between his community and other communities, and that it is easier to build trust in his own community than it is with other communities.

Therefore, the researcher asked the question *if the trust between brokers and buyers is based on both being from the same language and cultural background*. The answers from participants have two perceptions. One perception is that trust can be traced to a shared language and cultural background as C5 stated – as participant C3 noted, customers want to know the details of an important transaction in their own language, they don't want to 80% understand, for maybe the 20% that they don't understand is the most important 20%. Indeed, Chinese agents themselves feel more comfortable dealing with Chinese, due to a sharing of the same spoken language – participant D3 believed that the shared language decreases misunderstandings and helps ensure that things go smoothly, while participant D2 said that trust is not involved if they do not understand what is said. Thus, along with similarities in culture, there is a greater chance that customer behaviour can be assumed correctly.

The other perception is that trust is not only based on the same language, it also involves an understanding of the way that Chinese do business. Participants D6 and E6 both considered

Chinese clients to be not loyal compared with other ethnicity groups, particularly native born New Zealanders. E6 suggested that decision making processes are different from other ethnicity groups, noting that Chinese customers just come and use your information but that they are always shopping around to compare different agents and brokers. “You have got along with them for a long time, but they still go to another Chinese broker. They try to get a good budget. Sometimes just a matter of a small difference like one hundred dollars can make them change their decisions.” E6 also claimed that Chinese buyers do not necessarily build trust on the basis of face to face communication, but that Chinese people only care about money, wanting to buy everything (including a house) at the cheapest price.

Chinese broker A6 stated that it is not only because of language ability that Chinese clients come to Chinese brokers, but also due to trust and cultural background. Clients from UK, Europe or New Zealand do not hire Chinese agents and brokers at all, even if they did offer satisfactory service. A6 believed that New Zealanders prefer to choose New Zealand agents, Chinese prefer to choose Chinese agents. However, in answer to a question about how customers are classified, no respondents appear to classify their clients by ethnicity. Instead, they tend to qualify clients by the price range of the properties, and by their degree of “ready to buy” or “willing to buy later”.

A subsequent question of *for what purposes real estate agents employ different ethnic staff* generated answers that could be clustered into the following points. Participant B2 responded that New Zealand is a multicultural country, and E1 noted that this was particularly true in Auckland with, according to E2 the population in Auckland getting more diversified in the last ten years.

A4 said that we need different ethnicities because of cultural differences due to the ethnic composition of clients and E1 said it was to make sure that customers understand the buying process very well. Respondent D1 said that cultural relationships are very important in the communication process, and this is the key to convert prospects into real buyers. However, respondent B2 believed that, if clients come from overseas they generally prefer to choose their own agents, but if they are local they don't care where the agents are originally from.

4.6 Marketing Strategies

Question One: what strategies do real estate personnel use to find prospective customers?

As seeking out of prospective buyers is vital to staff working in this market, a question was asked about the typical strategies employed to find prospective buyers. Most of the responses can be classified as one of:

- Referrals from former customers and friends
- Listings on websites or in both Chinese and English newspapers
- Telephone communication with visitors after visiting an open home

First and foremost, agents who have been working in this market for a long time, like C2, C3 and D6, stated that referrals were their most important resource to find prospects. Also, participant D3 concluded that, if you stay in this market for a long time and your service is good, you will have many referrals from former customers. In addition, in the Chinese focus group, participants particularly emphasized the importance of good communication skills to negotiate between buyers and sellers. Participant A3 stated that good relationships with clients are useful to build your client database.

Secondly, the use of media to find listings and promote properties is also crucial to staff. As E1 said, “we have to do product marketing. We are self-employed and, like any other business, there is a product to sell. We need find the product as well.” When listing property, the advertising channels are many – for example, participant E 5 emphasized “Trade me” and “Yellow Pages”, and indicated the following issues that need to be included:

- Location. People basically look for a centralised location with easy access to schools, shopping malls and the motorway. So, when these qualities can be put in an advertisement, people are more likely to respond.
- Price. “Then it is the price. Can they afford it?”
- House size. “If yes, you probably find out that they are looking for a three-bedroom house or a four-bedroom house.”

Finally, the open home method is a very efficient marketing tool. Participant E5 said that, if you are able to use an open home, you normally find that eager buyers and sellers are included along with those who come through as well to check current market rates.

Question Two: is there any particular negotiation skill to use with Chinese or non-Chinese buyers due to the culture background?

From the negative side, participant A1 felt that the business principles to be used with Chinese and non-Chinese clients were the same – as D5 noted, Chinese agents speak Chinese to Chinese buyers, but the contents of the message are the same for both Chinese and non-Chinese buyers. For respondent D6, the key was finding out customer needs before you give them advice.

However, the majority felt that language skill is the crucial factor to get more buyers from a particular ethnic group. Participant A6 suggested that Chinese clients have more requirements than non-Chinese, such as a requirement for agents or brokers to negotiate for more benefits from lenders – this is because they lack the knowledge of mortgage processes that local buyers have. Chinese agent C3 said that he had more Chinese customers because they want to talk in their own language, and D5 said that Chinese-speaking can be a special skill to Chinese buyers. As A4 claimed, Chinese agents provide more local knowledge and support to Chinese clients because of a better understanding of their unique cultural background and language.

C5 stated that it is very important for real estate agents to know the cultural background of clients, and the important protocols such as who should you talk to in a family and what do their responses actually mean – E6 noted that Chinese buyers are not so open as other ethnicities, and might not necessarily tell you what they are thinking. For example, C4 noted that Chinese clients are gentle and would not like to tell you the real decision they have made face to face. C1 agreed, to the extent that they may not like to criticise a house even if they think that the house has some problem – as D4 stated, this is often because they do not want this to reflect badly on the agent.

The interviews with non-Chinese agents and brokers acknowledged that language contact with Chinese clients is a problem, though D5 mentioned that non-Chinese agents are now

able to advertise in Chinese newspapers, because the newspaper publishers provide free translation. However, participant D1 said that Chinese buyers expect their agents to deal with a wider range of aspects, such as builder's information, knowledge of banking practices, and so on.

Question Three: what do you think is the difference between Chinese and non-Chinese home buyers when making decisions?

None of the respondents could clearly identify any ethnically based differences. Respondents C2 and D5 both thought that there were clear differences on a case by case basis, but no noticeable difference between Chinese and non-Chinese. Indeed, both B4 and E5 thought that there are no differences at all between Chinese and non-Chinese clients.

A1, D2 and E3 all stated that Chinese have a strong drive to move away from renting, and of buying a house and settling down – as long as they can afford the finance, they will buy a house to refrain from renting expenses. However, E3 also said that Indian and European buyers have the same perspective.

Question Four: how important is price, land size, home size, location, schools and shops, Feng Shui to Chinese and non-Chinese?

Generally, both Chinese and non-Chinese respondents considered that the decision making of housing search has three steps: location, price and then house type. E5 stated that the first thing is location, for clients have to decide where they want to live, followed by considerations of price and then type of house.

D2 stated that the selection of the location is according to considerations of transportation, safety and schools. Firstly, E1 said that Chinese buyers want convenience for shopping because many of them have family members not working who want convenient facilities. D2 said that convenient transportation and shopping facilities are the main reasons for them to choose New Lynn and Blockhouse Bay. Secondly, B3, C3 and D2 all stated that security is another important consideration for Chinese buyers – although, as B2 said, buyers prefer a safe environment regardless of what ethnic group they belong to. Thirdly, E1 claimed that the most important thing is the school, and B2 emphasized that this is not only because they have

children, but also because they are going to sell the property again and these locations allow them to earn more from the sale - if the house is close to good schools, the value of the property does go up. C5 agreed that Chinese would buy houses near a good school zone for their children's education - C1 thought that, in Mt Albert, it is because of Unitec that they buy their houses here.

In addition, C3 emphasized that quite a large difference exists in determining the style of house that is sought. European and locally-born people prefer to live in houses featuring a larger garden and green land, for they are more outdoor loving people who engage in outdoor activities such as BBQ, playing cricket etc. On the other hand, Asians prefer indoor activities, and a modern type house with a big garden is not important for Chinese buyers. Instead, they like low maintenance and modern styling, and have a special affection for a brick and tile house. Many respondents - C1, C2, D4, E2, E3, E5 - noted that Chinese clients find brick and tiles to be more secure than any other kind of dwelling, possibly because of the fact that not many homes in China are built of wood.

D4 suggested that Chinese buyers are much like any other in that they do not want anything that is untidy or run-down, nor would they like to buy a house close to a hospital or cemetery, or a high-voltage power line. Usually, if an agent takes care of these issues, they will be happy, though some buyers are also concerned with the Feng Shui element of traditional Chinese culture. Although respondent C5 stated that Feng Shui was not involved in purchase behaviour to any great extent, E1 said that Chinese buyers are very sensitive to the numbers – if the street number is eight, even if the house is not so good, they will take it. However, D2 said that Feng Shui is not so prevalent, and C1 said that not many Chinese mention it. D4 said that the proportion of Chinese buyers who consider Feng Shui may be one out of twenty.

Question Five: compared with non-Chinese buyers, are Chinese buyers more emotional in buying a house?

Participant A4 stated that the reason why people take so much trouble over the purchase of a house is because it is also considered to be an emotional investment, and this emotion can be seen throughout the progress of purchase behaviour. C2 said that a house is a big asset for every family member, so everybody is emotional when buying a house – but C3 disagreed, noting “I would not say emotional because, when they make a decision to buy a property, one

particular reason is the location or the school zone. Some people think that the price is a very important determinant for them as well". For C3, buyers are generally not very emotional and, if the price is over their budget, they will not buy even if it is a good property.

Compared with Chinese buyers, Europeans are more emotional because, if they want the property, they try their very best to get the property. C3 also said that it depends on how much research has been done on the market – Chinese buyers may think that an Auckland property may be valued over the market price, but this can be because they compare it with their homeland searches. C3 said that "I have quite a few Chinese customers who would not like to pay more because they compare the property here with the property in the mainland. The property there is still cheaper".

Question Six: do Chinese buyers commit unconditionally to buy a house?

Respondent C3 explained that there is a cultural difference here, as Chinese buyers prefer the unconditional buying of a house - because in many countries you can only buy a house unconditionally. For example, in mainland China, buyers have to offer a contract unconditionally, irrespective of whether a mortgage is necessary. Buyers will often sort out their finances by themselves, but this will happen outside of the contract.

Unconditional buying of a house is not promoted by New Zealand real estate personnel for, as C2 noted, in this market you cannot simply buy a house unconditionally. In addition, respondent D4 noted that, as Chinese clients prefer buying properties unconditionally, they would sometimes put a finance condition into their buying offer, even if they had already sorted out the finance and didn't really need to. This was believed especially true of younger people, who often have financial support from their families.

On the other hand, C1 said that many Chinese clients, even although they may need a mortgage, they don't want to include a finance condition and will consider an unconditional offer without any mortgage condition. As a result, a number of buyers (from mainland China especially) have made a lot of mistakes in buying a house unconditionally without having knowledge of the property. That is why many Chinese people in the community own plaster houses which are leaky, because they bought the property unconditionally without checking first for such problems.

Question Seven: who makes the buying decision in Chinese and non-Chinese family? Is it husband or wife?

There was a really mixed response to this question. Eight out of twenty eight participants answered that the wife makes decisions, no matter whether she be Chinese or non-Chinese. In the native-born New Zealand community, respondents C3 and E6 both stated that the wife makes the decision more than her husband.

Although four respondents answered that both the parties make the decision together, respondents C2, D3, E1 and C4 believed that males normally make the decisions in Chinese society, and D1 agreed, saying that the wife generally listens to the husband. C3 noted that reality was a little more complicated, and that in Chinese decisions the husband may make the decision but the wife has a lot of influence.

Question Eight: do non-family members of buyers influence the decision making in Chinese and non-Chinese community?

Most of the responses suggest that there is little or no difference regarding ethnicity group in relation to this question, though A4 noted that, no matter what their ethnicity, new immigrants will always try to get more information from their friends. However, respondent A1 emphasized that the phenomenon of non-family member involvement in decision making does not only exist amongst Chinese clients. It is possible to see this influence amongst all buyers if they do not know the local background well, and even local people will ask friends and relatives to come with them to visit open homes and give their opinions. A1 concluded that the answer to this question depends on personality, relevant experience and self-confidence.

Question Nine: do Chinese buyers prefer living in a Chinese community and therefore cluster in certain suburbs?

All of the Chinese respondents agreed that Chinese buyers would not prefer to live in a traditional Chinatown kind of a suburb. The reason behind this is that Chinese people would like their children grow and develop amongst locals, and they therefore prefer to have a

“Kiwi” neighbourhood as it is helpful for them to learn and speak English, and to make friends in a different culture. A6 said that Chinese prefer to live in Kiwi communities, in order to involve their children in a local environment and a local society, while C3 said that they were more likely to go to the main street if this was in a Kiwi neighbourhood.

However, non-Chinese participants have the opposite impression to the Chinese community. Respondent E2 said that Chinese buyers like to live close to each other in a Chinese community, and E5 believed that any immigrants would most likely choose to live close to each other for at least the first ten years.

4.7 Mortgage Strategies

Question One: What is the attitude of Chinese buyers to mortgage compared with non-Chinese buyers?

From the point of view of most participants, the attitude of Chinese buyers to mortgage is comparatively less involved in comparison to non-Chinese buyers. Respondent B2 noted that, in four years of work in the Auckland real estate industry, he had never known a Chinese buyer asking for a mortgage. According to B2, most ethnic groups need to go to the market for mortgage finance, but when Asian people come to the housing market, they have already sorted out finance themselves.

Part of this is because of the cultural characteristic that Chinese don't like to borrow money from the bank. They don't want to owe people things. They want to pay cash because they want to own the house rather than the bank own the house. A6 noted that they do not like to pay interest either, and they prefer to borrow less or use one pay-off. In addition, both A6 and D3 noted that Chinese have good saving habits, and therefore often have a big deposit to help buy a house. In this respect, C2 said that he deals with more expensive property, and most of his clients do not use mortgage finance. In fact, when Chinese make an offer “subject to finance”, the deal quite often does not go through because the buyers know that they can get out of that contract.

In the end therefore, as E2 concluded, Chinese buyers are much more conservative in their behaviours, preferring to amass some money before buying a house, and therefore putting more cash into their properties. As D6 stated, this is particularly true of baby boomers that are aged from forty to sixty years, though if they are buying for investment as opposed to an owner-occupied house, they will take a loan.

Question Two: what are the most common decisions on fixed or floating interests, duration of loan, first payment percentage in Chinese and non-Chinese customers?

In accordance with the above attitude of Chinese clients to mortgage, the more common loan decisions are made as follows:

- Chinese choose a comparatively high repayment amount and a comparative short duration of loan. While non-Chinese take full advantage of loans. For example, A6 claimed that Chinese would like to pay 50-60% of income per month to the mortgage if they have a monthly income of four to five thousand dollars per family, and they would typically choose to shorten the mortgage duration to 20 or even 10 years. D3 said that non-Chinese would often seek as large a mortgage with as long a repayment period as possible, and would often prefer to pay interest only during the mortgage term. In fact, D3 said that many clients ask if they can get 95-98% finance, and it is therefore very difficult to get a deposit from them. However, if the loan is for investment purposes and not for owner-occupied housing, D6 suggested that availability of more money is preferred to a shorter duration of loan.
- Both Chinese and non-Chinese clients have preferred a fixed interest rate because it was lower than the floating rate in the New Zealand market. But A6 said that the typical floating rate is now falling lower than the fixed rate, so agents and brokers have now started to use a floating rate. D6 claimed that the reason why floating rates are falling lower than the fixed rate is because the banks costs have been increased to the point where they were not able to decrease their lending rates as the Reserve Bank decreased the official interest rate.

Question Three: what is the most important consideration when buyers choose a mortgage?

C5 and D6 claimed that, regardless of ethnicity, their clients prefer banks to other financial companies, as these alternative financial companies are felt to be unstable – even if they did give lower interest rates, they might easily change their policy the next year. B4 stated that the reputation of banks is very important, particularly after the credit crisis, and Chinese customers prefer to deal with banks because banks are tangible. Also, financial companies charge higher interests than banks, and are more easily susceptible to bankruptcy.

However, D2 claimed that if it is difficult for clients to get a mortgage, they will attach priority to obtaining the loan over selecting a particular bank or banks. D6 said that, no matter what financial institute, the priority is to get the loan. If you don't fit the banks' lending criteria, there is no point in going to the banks – Asian buyers do not like finance companies, but sometimes they have no choice.

Clients consider cost of finance as well. D3 said that, Chinese or non-Chinese, buyers will pursue lower interest rates from banks. D6 said that the clients want the bank with the lowest interest rate, no matter which bank that is, and E3 said that they are very sensitive to interest changes and will often go to smaller banks (such as Kiwi Bank) to pursue low interest. So costs and banks both are very important to buyers of all ethnicities.

Generally, there is no evident difference between Chinese and non-Chinese clients when choosing a mortgage. Weighting a bank is very important and, as D3 said, buyers tend to focus on the brands of banks, then price of a mortgage, and then the products available. In the end, they listen to their mortgage brokers.

4.8 Summary

The results of this research identified the main tendency of the Auckland housing market and the main factors that influence that tendency. According to most participants' opinions, this market is healthy and well developed, with housing prices boosted by the growth of a new immigrant population, global money, increases in income and inflation. In short, global money and inwards immigration are key factors that are lifting this market.

The marketing roles of real estate employees require them to involve in listing and promoting property, providing information and education, negotiating and communicating with buyers and vendors, and selling property. The financial roles of these staff include consolidating loans and providing financial advice. Chinese personnel can particularly help non-English speaking Chinese buyers and Chinese investors from overseas.

As for the influence of ethnicity on this market, the market share of the Chinese community in Auckland is very high. Thus, although the importance of clients' ethnicity group depends upon the suburb the agents are working in, Chinese staff have mainly Chinese or other Asian clients (apart from native-born New Zealanders). Also, participants have two differing perspectives on the impact of trust between employees and buyers, and the point of difference involves the importance of language and the ways of doing business.

Further, the results of the research showed that:

- Real estate agents and brokers use some typical marketing strategies when trying to find prospects.
- Chinese language skill is the crucial factor to get more Chinese buyers.
- There is no evident difference between Chinese and non-Chinese home buyers when making decisions.
- Both Chinese and non-Chinese respondents considered that the decision making process in housing search has three steps: location, price and then house type.
- Chinese and non-Chinese buyers have some different preferences on the type of house sought.
- Feng Shui influences the decision making of a small portion of Chinese buyers.
- Men generally make more decisions than women in the Chinese community.
- Non-family members often become involved in the decision making of house purchase, regardless of whether they are Chinese or non-Chinese.
- Despite differing opinions of non-Chinese respondents, Chinese buyers would normally not cluster together, but would choose mixed living alongside other ethnic communities.

- The attitude of Chinese clients to mortgage is comparatively negative due to their social habit and cultural background, and Chinese customers are very eager to pay off any loans for owner-occupied house.
- Apart from this, no other evident differences exist between Chinese and non-Chinese clients in regard to mortgage decision making.

Chapter 5 Discussion

5.1 Introduction

The Auckland housing market, due to its multicultural character, involves a number of cultural factors in housing purchase behaviour, and has some interesting aspects related to differing ethnicities - therefore, real estate employees should pay attention to these factors to ensure they are meeting niche client needs and gaining more business. However, according to participants, the strategies adopted in this housing market are virtually universal in spite of diverse ethnicities.

This chapter examines those cultural factors that have emerged in the Auckland housing market and suggests the strategies that should be applied in this multicultural market. It combines commentary on the literature review with the results of the research to explore the Auckland real estate industry and the importance of ethnicity research in the Auckland housing market. Then, it examines the marketing strategies and the mortgage strategies used for multiple ethnicities as two separate propositions.

5.2 The Auckland real estate industry review

It was highlighted by participants that the 2007 recession had a widespread impact on the real estate industry in Auckland. As Jane Diplock (2008) stated, an international credit crunch, as a side effect of the sub-prime crisis which started in the US mortgage market, drastically hit New Zealand's financial and housing markets. However, as with many phases of the real estate economic cycle, the recession did not last for a long time, and the Auckland market obeyed basic economic rules and recovered promptly.

By early 2009, it was believed by the principal of the Barfoot and Thompson real estate firm that lower interest rates, awareness of the low number of residential building permits being granted, and the general growth of the Auckland region were contributing to a "modest turn around" (Hargreaves, 2009). Hargreaves reported that, with more buyers and sellers entering the market, there were signs of a recovery in the housing sector, for more houses were sold in

March 2009 than in the same month of the previous year, and the average price of houses was increasing.

Due to the financial crisis of 2007, cash buyers in UK were taking advantage of falling prices in the properties crisis to earn profits (Heywood, 2008), and inputs from participants also indicated that global money had a strong impact on the Auckland housing market. Participant A1 stated that UK cash buyers had put a lot of money into the Auckland housing market, as a mass of mortgagee selling brought lower housing prices into this market in 2008. On the one hand, investors benefit from fluctuations in the real estate housing market to earn returns; but, on the other hand, an increase of cash buyers balanced the prices from the drop in the market to build a prosperous economy.

Additionally, the New Zealand financial system, both banking and non-banking, relies on a global capital market. For instance, Australian-owned banks makes up about 90% of the New Zealand banking sector by total assets (Tripe & Matthews, 2006), and loan availability in the housing market relied on a large volume of global money being available. It remains important to boost the New Zealand housing market by attracting a constant flow of funds from overseas.

The impact of immigration is another important feature to profile this specified market. New Zealand has been traditionally represented in the world as a bicultural society, influenced by both Maori and the British. However, the end of preference for British immigrants in 1975, and the increasing number of New Zealanders leaving the country permanently, had threatened a massive decline in population (Auckland Regional Council, 2007) that prompted New Zealand to open its doors for skilled immigration from multiple ethnicities. Today, New Zealand is privileged to be known as one of the few countries in the world that has a reputation of being a multi-cultural society, and Auckland's status as the prime city of New Zealand has led to settlement by people from many different ethnicities and cultures. As immigration forced a change in the demographics of the city, entrepreneurs in many fields had to modify their style of operations to suit this change and, today, the presence of large numbers of new immigrants requires existing businesses to adapt to the changing business environment. The real estate business in New Zealand has had to follow such a change in order to meet the requirements of non-New Zealand home buyers.

5.3 The importance of ethnicity research in the Auckland housing market

The real estate market has changed drastically, from a traditional employee and customer relationship to an increasingly personalised version of the same business. As house buyers now represent various cultures and communities, it has become essential for real estate companies to employ agents and brokers from various communities to match the diverse taste and preferences. The matching of firm performance to the ethnicity group of clients has originated from a perceived business need.

The Chinese community represents one of the most dominant immigrant populations in Auckland. As mentioned by participants, particularly from Mt Albert and Mt Roskill, the Chinese community is the largest ethnic group they deal with, apart from native-born New Zealanders. Although a substantial portion of the Chinese community is not very fluent in English, it has nevertheless been able to successfully survive in this English speaking environment. However, when this element of the Chinese community ventures into the real estate market to make their choice, they prefer to be served by a Chinese broker.

With an opportunity to capture this substantial community, many real estate companies recognise that information support is another main requirement of employees dealing with buyers from countries such as mainland China and Taiwan who are not familiar with the policies of the Auckland market. This requires that employees are not only qualified in dealing with the local market, but are also approachable with a personal touch for their clients, and possess social and cultural knowledge that is relevant for those Asian countries. As language is the key marker to ethnic identity (Schmidt, 2008), the crucial advantage for these staff is that they are able to speak Chinese languages.

Likewise, due to the unique cultural background and social habits of the Chinese community, many Chinese real estate employees have adapted their marketing strategies to niche this large sized market. However, some real estate staff, particularly non-Chinese staff, may not realize the unique background of Chinese clients, the discussion below is intended to identify the universal strategies used in the real estate industry while emphasising the ways in which those strategies might be modified for application to particular ethnicities.

5.4 Marketing strategies for multiple ethnicities

This section of the study monitors and evaluates the marketing strategies used by real estate agents and brokers. In the modern business environment, real estate agents and brokers are required to position themselves as valued counsellors and negotiators to their clients and, in a multicultural business environment like Auckland, it is highly important for brokers and real estate agents to have the skills and the confidence to become a trusted advisor or negotiator. The strategies employed by Chinese and non-Chinese brokers can be identified in respect of the buyer's culture and living standards preferences.

In general, real estate businesses usually perform two main activities: getting prospects, and converting those prospects into paying customers (Richins, Black & Sirmans, 2001). The practices of real estate agents during the first phase are comparatively universal and standard, due to the regulations current in New Zealand, but it appears that more cultural factors are involved during the second phase. The following sections discuss the two phases one by one.

Phase One: obtaining prospects

Getting prospects is a very important stage in formulating a strategy for the real estate business. Real estate companies in Auckland perform various strategies to attract their target market. Though these strategies may differ from company to company and agent to agent, due to numerous factors such as location, experience etc., it seems that most agents employ the following strategies to find new prospects and potential buyers.

- **Open homes:** an open home is a property marketed with banner boards that are parked outside the house on sale, and it is known to give real estate agents the opportunity of meeting with numerous potential buyers in a compressed period of time. Although any person is allowed to visit open homes, potential house sellers also find it as an opportunity to get to know current market prices. Many real estate agents revealed that open home is also an important source of finding potential house sellers.
- **Internet data exchange (IDX):** IDX is an Internet based real estate property search site which allows people to conduct searches of listed houses under several real estate

companies - a prime example is www.trademe.co.nz. Many Chinese and Non-Chinese buyers consider an IDX website as their preferred choice of method to get to know their market. Also, the IDX provides buyers with a direct link to the real estate agent and the real estate company that is selling a property.

- Virtual office websites (VOW): a VOW is basically a company website that has become increasingly useful in conducting usual business activities. Most real estate companies have a dedicated website that allows potential buyers to conduct searches of listed real estate properties under certain conditions. In some cases, site users have to provide their personal information before having access to property information, and this alone can give real estate agents a useful list of potential buyers.
- Print media: real estate agents advertise their properties for sale print in print media in many different languages, print media used normally being newspapers and company brochures. This is highly effective in immigrant markets, as non-English speakers have less accessibility to IDX and VOW. Non-English print media dedicated to the Chinese community, such as the “Mandarin Pages” and “The New Zealand Chinese Herald” play a major role in providing property news and listings to the Chinese community. It is a good source of finding prospects.
- Referrals: an agent’s depth of experience, and the satisfaction level of previous clients, play a major role in real estate purchases (Gibler & Nelson, 2003). As deals between agents and clients are interpersonally social activities, “word of mouth” strategies are identified as an efficient way to do business. This is particularly used by experienced brokers who stay in this industry for a long time. Also, in the Chinese community, referrals from former customers and friends are believed to be more reliable, based on the importance of interpersonal relationship. The Chinese community uses the term “Guanxi”, which literally means “relationship” and emphasises the building of trustworthiness with a person or a company (Tsui & Farh, 1997).

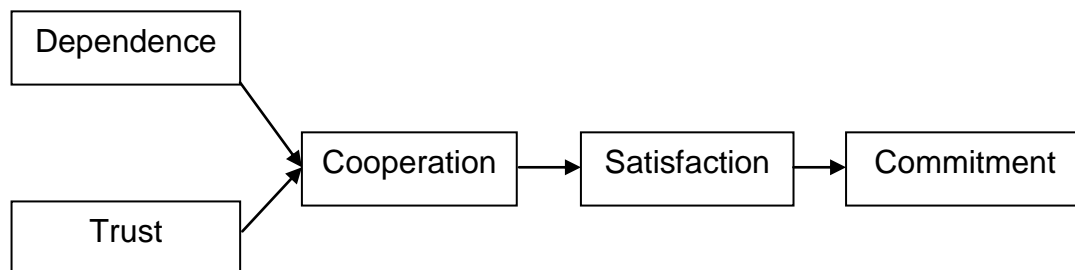
Phase Two: converting prospects into real buyers

As the second phase of real estate business, converting prospects into real buyers is all about the building of trust between brokers and clients, and is strongly associated with a good understanding of the client’s social habits and negotiation skills. Though buying a house is regarded as one of the most important decisions in one’s life, the buying process is very

inconsistent across cultures - since the decision making process in relation to real estate is very important, buyers often adhere to their own cultural norms in making this decision. Thus, as culture influences every step of decision making undertaken by Chinese, it becomes essential for Chinese brokers to have a very sound knowledge of the culture they belong to.

According to Kidd & Richter (2004), Chinese do business based on trust, and therefore do not involve lawyers in face-to-face negotiations. They value the human base (relationship) more than the legal base (contract) of contracting, and prefer to commence the business process by first building up trust between the parties. The Chinese view business relationships as a highly personalized process, and will often use informal social settings to create mutual bonds that help to establish the concept of Guanxi in order to secure and facilitate transactions. Participants in this research felt that Guanxi creates harmony and decreases misunderstanding, because normally all people involved in the process have at least partly common cultural and social backgrounds – this injects more confidence in making a success of the deal from the point of view of both business parties.

Overall then, it is possible to suggest a model of converting prospects into real buyers that includes this process:

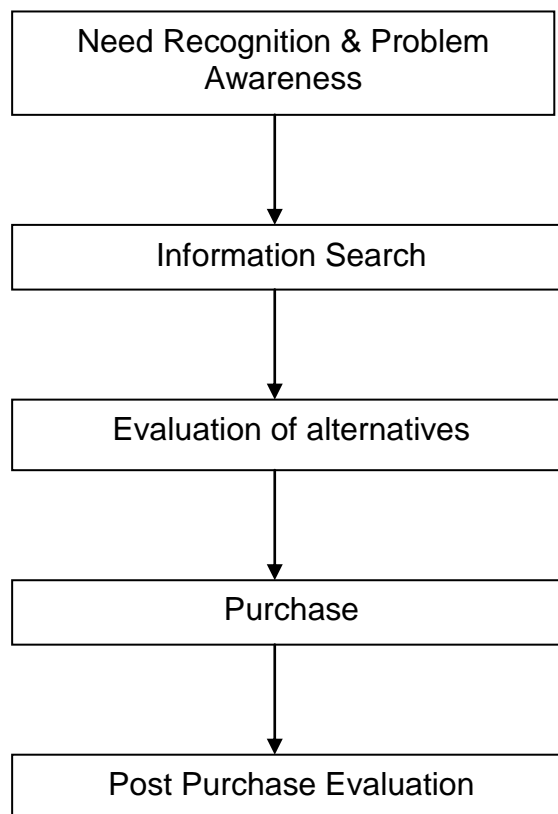


However, due to the common Chinese practice of “always shopping around”, some participants indicated that the trust between Chinese clients and them is very hard to build – apparently, trust in the real estate business is not only based on a sharing of the same language but also may have other cultural reasons. Indeed, Chinese clients appear to rely on agents and brokers in a wider range of respects; they prefer real estate employees to provide more information, including builders report, cost of housing maintenance, and so on. This dependence does of course help to bring about a stable interpersonal relationship, which in turn helps to build Guanxi among the parties.

As such, and following the two phases of buying decision discussed earlier, real estate staff have been able to develop the following strategies to attract more ethnically diverse clients:

- Create IDX and VOW in several language versions.
- Gain knowledge and capability in different languages and cultures.
- Use friends and acquaintances as a way to find clients from different ethnicities.
- Provide more relevant information in order to build trust.

The Chinese culture is one of the oldest and most complex cultures in the world, with rules of both general behaviour and buying behaviour passed on to the people from generation to generation. Principles such as Confucianism, guanxi (relationship issues), mianzi (status of “face” issues), and collectivism play a major role in forming the behaviour of the Chinese people (Luo, 2009). In contrast, Westerners are seen to be more formal and individualistic in nature, and this difference in buying behaviour requires real estate employees to serve Chinese clients in a different way. In the following paragraphs, cultural roles will be discussed on the basis of the decision making process of house buyers, explained in terms of the five stage decision matrix that I have designed:



1. Need recognition and problem awareness:

The buying process of a house starts with recognition of a need, and there are a number of needs that are relevant to the Chinese community. For example, participants stated that Chinese have a strong affinity with the idea of owning a house after immigration and settling down, perhaps related to the traditional Chinese belief that owning a home can bring a high degree of life satisfaction - as long as they have the ability to secure finance, they will consider buying a house as a priority over other expenses. Furthermore, as most Chinese are immigrants who do not possess ancestral properties like locals, a need for house ownership commonly arises very quickly amongst them, and this need can often be enhanced by an external marketing stimulus - for example, the New Zealand Government offers a rebate on interest rates or house price to first time house buyers (Wellings, 2009). Thus, though the role of real estate employees is minimal at this stage of the buying process, there are some major cultural influences that explain why the Chinese community has a very high share in this particular market.

2. Information Search

When an interested customer starts to look at the various choices available in the real estate market, that customer becomes the first point of attraction for real estate agents or brokers. At this stage, real estate buyers do not appear to be categorised by ethnicity. In fact, Bevan (1991) argues that all marketing strategies are by their nature based on a “preferred mix” of the three key “generic variables” of cost, differentiation and focus. These variables have led to a fundamental market segmentation concept which has a wide ranging impact on property professionals – according to participants, market segmentation in the housing search stage can be summarised into three main points in sequence:

- Location. First of all, clients consider the location in which they want to live, taking into account variables such as schools, transportation, security, and investment potential. School zones are often regarded as the most valuable factor for all ethnicities in location choice decisions, so is often a highlight in housing advertisements.
- Price. Though normally locked into a general price interval, due to location, real estate is extremely price sensitive as many buyers have a need to acquire significant finance.

- House size and style. This factor is determined by the lifestyle of clients, is very personal, and is by no means related to ethnicity.

However, when clients are undertaking the housing search stage of the buying process, real estate personnel should understand that there are some cultural differences present during this stage:

- As Chinese culture is a high-context culture, the communication style is implicit rather than explicit (Kidd & Richter, 2004). A high context culture is evident in societies or groups where people have had close connections over a long period of time. Hence, many aspects of cultural behaviour are not made explicit because most members know what to do and what to think from years of interaction with each other. For example, when they come to visit an open home, many Chinese would not like to say bad things about the house straight away to agents. They tend to rely more on family and friends to check their opinions.
- As the Chinese community is collectivist in nature, sources of information are not only restricted to the marketing activities of real estate companies, but also depend upon information provided by family, friends and the Chinese community centres (Benjamin, Jud & Sirmans, 2000). As mentioned above, referrals are very important resource for experienced agents to do business - both Chinese and non-Chinese participants regarded referrals as a very important resource, but Chinese experts particularly emphasized the importance of this source.
- Many Chinese clients prefer brick and tile housing, believing them to be stronger and offering better security. They reason for choosing this type is also due to the social background in mainland China and elsewhere in Asia, where buildings are rarely built in wood or plaster. Asian people are used to living in brick and tiles as a tradition (Noble, 2007).
- Most Chinese clients consider indoor living more than outdoor living, and therefore low-cost maintenance is important in housing selection. In essence, they tend to value the house itself more than they value supplementary items such as a garden or surrounding green land. They will therefore typically favour a new property with modern decorated rooms over the quality of outside facilities (Wu & Taniguchi, 2008).

- Chinese people in Auckland have no real inclination to live in a “China Town” style, instead choosing mixed living with different ethnicities in order to develop their knowledge of this country and its people. In other words, one important determinant of buying a house for Chinese immigrants is assimilation (Painter, Lihong & Zhou, 2004).

At this stage, many real estate companies will offer potential customers an opportunity to supply their personal details to the company website. Real estate companies then use this information to identify the culture of buyers and allocate an agent who belongs to the same culture, or can otherwise be expected to develop a personal touch with the buyer. Though a shared ethnicity between real estate personnel and clients is not an essential determinant for a successful deal in the housing marketing, it can nevertheless be a useful way of approaching the client’s background in an attempt to understand their unique needs.

3. Evaluation of alternatives

Before any decision is made, decision makers have to go through a number of stages such as inception, interest, information search, information analysis and classification (Bevan, 1991). It is at this stage of the buying process that buyers behave in identifiable ways, and their needs do vary considerably by culture.

When dealing with Chinese clients, it is very important for real estate personnel to respect the information collected by the client during his/her evaluation of alternatives. This is particularly salient for the Chinese culture because of the Mianzi concept, also known as “face” in Western countries (Kidd & Richter, 2004). According to a famous saying, “when a Chinese individual is honoured, his whole family is honoured. When he is condemned, his whole family is condemned”. As a result, Chinese consider face-saving as an integral part of their culture, and respect for the face of others is considered to be an essential element of preserving one’s own prestige or dignity. Thus, many Chinese would not like to hurt face-saving by identifying negative points about a house in front of other people, and care should be taken by real estate personnel to market the correct information of the property on sale.

Even although the primary goal of real estate personnel is to sell the property at the highest possible price and as quickly as possible (Yavas & Yang, 1995), the best strategy in dealing with Chinese clients needs to be a little extra cautious and conservative. Participants

suggested that the most effective way is to keep asking the clients appropriate questions to find their needs, and avoiding guesswork or an undue focus on the agent's own opinions. This communication skill can avoid misunderstanding and wrong assumptions, and has an additional benefit in that it suits all other ethnicities as well.

Participants believed that non-family members can influence the decision making process in spite of diverse ethnicities, though new immigrants particularly would typically invite friends to involve in the purchase decision. Native-born New Zealanders are considered to be more individualistic in nature and, although friends and families also play a part in the decision making process, the degree of participation is lower due to the local living experience. New Zealand European families tend to be more independent of the influence of others, due to more knowledge and experience of local society, while Asian families appear more likely to be influenced by friends because their homeland background is different from that of New Zealanders. Besides, Chinese people are collectivist in nature and are held together powerfully by the concept of "Guanxi", so they are by nature inclined to listen to more opinions (Levy, Murphy & Lee, 2008). Due to the collectivist nature of the Chinese, personal sources such as friends, families and neighbours become crucial evaluators of options (Luo, 2009).

As Levy, Murphy and Lee (2008) have stated, identifying the decision maker in a family is an important and effective skill as real estate employees attempt to make a successful deal. In New Zealand families, women were seen to be the major influence when making decisions (Levy, Murphy & Lee, 2008) while, in the Chinese community, men traditionally make more decisions than women (Dong & Li, 2007). From the observation of participants, this is a very complicated and case by case phenomenon, but it does generally reflect the above observation.

In addition, real estate personnel should avoid hurrying through the buying-selling process. Under no circumstances should the buyer feel that he is under any threat due to dishonest behaviour or the existence of some information that is undisclosed to him. Negotiations would be terminated if one party is made to lose face (Silverstein, 2005) and employees should therefore ensure that they do not do anything that could affect their long term stability in the business.

Evaluation of alternatives is one of the most crucial stages in the buying-selling process. Though the role of formality and bureaucracy is negligible until this stage, after the selection of the house is made, the purchase process commences, and the achievement of a successful outcome is very dependent on the manner in which the real estate agents are able to convince their clients to purchase. It is here that Chinese personnel have a language advantage over non-Chinese staff when dealing with Chinese clients, and where a familiarity with the buyer's home culture is an important benefit.

4. Purchase

The purchase of real estate property requires a very high level of involvement on account of its value. Indeed, purchasing a house from real estate personnel is not restricted to just purchasing a house, but is also referred to as purchasing the services of real estate personnel. There is a significant level of negotiation, bureaucracy and formality at the purchase stage of the process, and it is fair to say that the eventual selling price of a house is modelled by house characteristics, buyer characteristics, and the quality of assistance provided by real estate employees (Zumpano, Elder & Baryla, 1996).

In the Chinese community, agents and brokers are expected to help their clients in obtaining mortgage loans and are also expected to recommend a particular lender and solicitor. When a broker deals with a Chinese buyer, he should be aware that "Mianzi" requires that the Chinese people expect others think them rich, generous and having a good sense of taste (Luo, 2009). Thus, "Mianzi" is the key to gaining recognition and creating a better relationship amongst the community, and this behaviour of Chinese should not be mistaken by real estate staff as a greater or lesser need of sophistication. It is very important for brokers to read their customers before proceeding with the deal and, as face saving is a key ingredient of Chinese behaviour, real estate personnel should always take this into account when conducting their business affairs.

5. Post-purchase evaluation

Post-purchase evaluation is the final stage in the buying process, and the implications of culture for this stage are centred around the need for recognition. Chinese buyers like their buying choices to be recognised and, as the buying process of any real estate property is time consuming, it is essential for buyers to feel that they are satisfied with the decision making.

Real estate staff have an opportunity to create and enhance their reputation in the market with every deal they close. They can use every sale to build a resume and profile that can be very useful in marketing their services. When a new buyer is in the process of searching for alternatives, he also is in search of talented staff, and those staff who have a good history of success often become the first choice for potential buyers. Thus, agents and brokers can consider the buying process as a vital chain for their survival.

In general, both Chinese and non-Chinese real estate personnel in the present market have well-developed strategies which are formed on the basis of New Zealand's relevant laws and policies. They have well developed techniques to approach prospects, and generally follow standardised procedures to serve their clients. As a result, this research has functioned as a microscope to examine those Chinese cultural factors that exist in the purchase process, and to assist real estate employees, particularly non-Chinese employees, to better understand a number of important character traits of Chinese clients. Although general business rules are the same to all ethnicities, it is obviously easier to gain the trust of clients if you have a well developed knowledge about their ethnic and cultural features.

5.5 Mortgage strategies for multiple ethnicities

Despite substantial growth and progress in the real estate market over past decades, relatively little is known about the lending strategies used by real estate employees and their customers. As various ethnic communities in Auckland have expanded dramatically in the last decade, we only have superficial knowledge of how they evolved, what they have accomplished, and how much they have had to compromise for survival. The attitude of these communities towards mortgages varies from ethnicity to ethnicity, and the strategies required to deal with these attitudes are comparatively different from those used to deal with local people. This part of the report highlights the strategies employed by mortgage brokers and agents in dealing with Chinese and non-Chinese customers, and some unique profiles of Chinese clients' mortgage behaviours were identified to help personnel develop appropriate advisory skills.

Attitudes towards saving are very different between Westerners and Easterners. On the one hand, Westerners tend to live for the moment and very rarely force themselves into savings, and the savings performance of New Zealand as a whole is not satisfactory in comparison to

other OECD countries (Thompson, 1998). The per capita savings of New Zealanders are comparatively lower than other developed countries. On the other hand, many Easterners (including Chinese consumers) still cannot accept the concept of "borrowing for living", and maintain an attitude to financial management that is based on "living within our means". In addition, the use of mortgages as a financial tool in mainland China started very late in 1990s – thus, as a mortgage is a phenomenon of the most recent decade, traditional Chinese people still continue to rely on the savings habit to solve financial problems (Xu & Liu, 2006).

The findings of this study suggest that the savings attitude of Chinese is a major determinant of their buying behaviour in the mortgage market, for their financial focus rests with controlling the risks involved with spending money as opposed to not spending money. Further issue related to mortgage behaviours are identified and discussed below.

Deposit (down payment) among Chinese and non-Chinese buyers

Typically, a deposit down payment is higher amongst Chinese clients than the non-Chinese clients. In mainland China, the down payment generally required by money lenders is 30% of purchase price while, in New Zealand, money lenders generally offer mortgages with down payment as low as 5%. One of the reasons for the sub-prime mortgage crisis in the US was that house buyers had borrowed money with down payments of less than 3% (Zhang, 2007) so, as Chinese people traditionally prefer to offer high down payments, this creates a sense of satisfaction and confidence among local lenders about the credibility of borrowers.

The higher the down payment, the less is the chance of a customer being delinquent in mortgage payments. Banks consider mortgage accounts with high down payments as comparatively less risky and, based on this analysis, mortgage lenders can often lower the interest rates for customers with higher down payments (Benito, 2006). This can be used as an effective bargaining tool by mortgage brokers when dealing with Chinese buyers.

Duration of the loan

One of the key findings of the study highlights the fact that Chinese and non-Chinese home buyers differ in their decisions on duration of the loan. Although loans are available for as long as 30 years, the Chinese attitude of “living within our means” plays a decisive factor in determining the loan tenure. Chinese people do not like to live on borrowed money and try to eliminate their mortgage as soon as possible (Deng, Zheng & Ling, 2005), and this is one

reason why Chinese people push for higher down payments and lower interest rates. On the other hand, research participants observed that non-Chinese (including New Zealanders, Indians and other ethnicities) prefer to enlarge the loan as far as possible.

Decision on interest rate

There are two types of interest rates – fixed and floating - that influence lending in the mortgage market. On the basis of responses received from the interviewees, fixed rate seems to be the most popular amongst both Chinese and non-Chinese buyers. Fixed rate mortgages are the most common choice for first-time homebuyers because they are stable – typically, the monthly mortgage repayment remains the same for a significant period of the loan, and factor such as inflation protection, improved long term planning, and lowered risk are the key benefits that drive home buyers to choose this type of mortgage.

However, floating-rate mortgages can be more beneficial to a home buyer. Floating-rate includes mortgages with interest rates that vary from the beginning of the loan depending upon the changes in market rates, and long-term hybrids with interest rates fixed for five, seven, or ten years before becoming adjustable-rate (Mayer, Pence & Sherlund, 2008). Typically, floating-rate costs less than fixed-rate, though the risk involved of increase in interest rates can be worrying for the borrower, but traditionally floating rates have worked out to be more beneficial to the buyer than fixed-rate. Countries such as Canada and the UK have made it mandatory for banks to offer floating-rate mortgages (Ahn & Gao, 2003).

As the sub-prime crisis has generated a sharp fall in interest rates world-wide, both Chinese and non-Chinese borrowers are moving towards the floating rate option, as they see a tendency for floating rate to become lower than fixed rate in the current market. This phenomenon was also confirmed by the brokers and agents who took part in the study, and it was observed that it is very important for mortgage brokers to sell the benefits of both the fixed and floating rate options to their customers. This can also help the brokers to build a higher level of trust with their customers.

Banks or non-banking financial institutions

Diversification of the financial sector has been a central feature in the rapid growth of financial institutions. Traditionally, banks have ruled the roost when it comes to mortgage lending, but changes in banking policies have triggered the emergence of other non-banking

financial institutions in the mortgage market. However, the findings of the study indicate that clients generally prefer banks to other non-banking financial institutions for their mortgage needs. This is mainly because non-banking finance companies are seen as highly susceptible to the external environment, whereas banks tackle problems that are more local in nature. Also, Chinese clients prefer to go to banks because banks are believed to be more tangible and to offer competitive interest rates (Lardy & Albrecht, 1997).

Measuring the mortgage risks

There are two primary risks associated with the choice of a mortgage that should be identified and measured: the risk of payment shock and a mortgage's effect on home value.

- Payment shock is mainly associated with floating-rate mortgages. Some mortgages, particularly fixed period adjustable rate mortgages (ARMs) offer very low initial monthly payments, but can be disrupted by surprising shifts in interest rates that can result in a substantial increase in monthly payments.
- Home value is a measure of the net worth of a home to the home owner. Home owners, particularly those in the fixed-rate mortgage category, are able to calculate the total payments to be made by them as a proportion of what the property is worth. At all times, care should be taken to not over commit to any property.

Although real estate brokers normally educate their clients about these risks, Chinese buyers are more calculated than other clients due to the dominant influence of “living within our means”. Participants stated that Chinese clients are very conservative on financial management, often believing that houses in Auckland are overvalued compared with those in mainland China. Therefore, Chinese clients would not allow emotional attachment to result in them buying a house uncalculated, while European clients will often offer higher prices in an auction based on their personal liking for the house rather than an assessment of its value.

Overall, the cultural and social background of the Chinese community results in a comparatively conservative attitude to mortgage among Chinese clients – particularly in the case of owner-occupied houses, Chinese buyers will often pay off a mortgage loan as soon as possible. Other than this, there are few evident differences in mortgage behaviours between

Chinese and non-Chinese buyers once the mortgage is obtained, and broker advice is very important to all clients.

Considering that the primary determinants of mortgage character are risks and costs, Chinese clients are generally more sensitive to the mortgage risks, seeking to minimise those risks by shortening the duration of the loan and making a higher down payment. These features are evidently welcomed by lenders, but can sometimes influence the commissions earned by brokers. If buyers then sell their property and repay their mortgage within one year, broker commissions will be recovered by lenders – and brokers will often have no other salary. Any short term speculation behaviour of buyers should therefore be identified by brokers before the deal is made, and employees are suggested to be very careful in guarding against this behaviour in order to protect their own livelihoods.

5.6 Summary

This section of the research has examined the influence of the 2007 recession on the Auckland real estate market, and has also explored the significant impact of global money and increased immigration. Further, it has sought to clarify participants' views of the importance of ethnicity research in this market, concluding that, because the Chinese community has a fairly high share in the market and still has a high demand to buy houses, Chinese personnel have an important market role to help non-English speaking buyers and to provide information to Chinese investors overseas.

The section then discussed the extent to which different marketing strategies should be applied to multiple ethnicities on the basis of the strategies currently by present personnel. It was concluded that, though there are advantages in adopting multilanguage advertisements and services, experienced personnel still primarily rely on referrals to gain more business. Moreover, cultural roles were discussed with a framework of a five phase decision making process, and a number of issues identified that may assist real estate employees to build more trust with Chinese clients.

The section then discussed those mortgage strategies that should be applied to multiple ethnicities on the basis of the strategies which were applied by the present personnel. It

particularly examined the attitude of Chinese and non-Chinese clients to mortgage and found out that Chinese community had a comparatively negative attitude to this type of financial tool. In terms of mortgage behaviours, the primary differences between ethnicities are that Chinese buyers prefer shorter loan durations and higher down payments for owner occupied houses. A number of suggestions were made to assist brokers in dealing with these different mortgage behaviours.

Chapter 6 Conclusions

The primary aim of this research was to investigate, examine and evaluate the marketing strategies and mortgage strategies of Chinese and non-Chinese real estate personnel in the Auckland residential housing market. This aim can be further categorized into three specific objectives:

- Identify and compare the business activities and roles of Chinese and non-Chinese real estate employees.
- Identify and compare the marketing strategies of Chinese and non-Chinese real estate employees.
- Identify and compare the mortgage strategies of Chinese and non-Chinese real estate employees.

To reach this purpose, three focus groups and a number of interviews were conducted with professional real estate agents, brokers and other experts in the Auckland region

6.1 Conclusions

The research began by reviewing the Auckland real estate industry for the purpose of identifying a macro environment that provided a host climate for this market. As part of this review, it was noted that the ethnic trends that have built a growing Chinese community in the Auckland region has been responsible for a high and growing demand for house purchase among that community.

The research next identified the business functions of real estate salespersons, agents and brokers, and presented the basic rules and standards of the real estate industry in New Zealand, which all of the staff of this industry must obey. This section noted that Chinese real estate personnel tend to provide particular services to Chinese speaking clients in Auckland, and to Chinese investors overseas, which cannot be substituted by non-Chinese personnel.

The research then focused on identifying the diversity of marketing strategies used by staff of differing ethnicity to work with clients of differing ethnicity. Participants noted that, although ethnicity was by no means a determinant to the marketing strategies used, cultural roles did run through the decision making process of housing purchase, and Chinese social background and cultural factors such as Mianzi, Guanxi and collectivism had significant impact on purchase behaviors. However, real estate personnel's marketing strategies do not specifically target the diversity of ethnicities, but cultural roles do contribute to the successful communication of skills and service.

Furthermore, both common and diverse practices were revealed in the mortgage behaviours of Chinese and non-Chinese real estate buyers. Here it was found that Chinese home buyers have comparatively more conservative attitudes to mortgage than non-Chinese New Zealanders. Real estate brokers' mortgage suggestions are influential to the clients, but Chinese clients would rather choose a higher down payment and shorter loan duration than would non-Chinese.

6.2 Recommendations

For Chinese real estate employees, it is an advantage to have the language ability to speak Mandarin or Cantonese. As a major portion of the Chinese community in New Zealand is not very fluent in English, when this portion of the community ventures into the real estate market to make their choice, they prefer to be served by a Chinese employee. It is also crucial to be qualified with dealing in the local market, as information support is another main function of employees to investors overseas. These investors expect that real estate agents are familiar with the social environment from the both sides so, for non-Chinese real estate employees, it is very useful to learn the unique background of Chinese clients.

6.3 Implications for real estate managers

As immigration forced a change in the demographics of the city, real estate managers had to modify their style of operations to suit the change. The real estate business in New Zealand had to follow such a change in order to suit the requirements of non-New Zealanders. According to the study, it has become very essential for real estate companies to employ

staffs from various communities to match the diverse taste and preferences, and this need will certainly lead to further research which is necessary to fully understand this topic.

6.6 *Final comments*

This thesis constitutes the first time that research in this country has focused on marketing and mortgage strategies aimed at different ethnicities in the residential housing market, and the subject is therefore brand new and constructive. The Auckland residential market as a developed system has its own marketing rules, and the thesis has identified the roles of real estate employees in this market, compared marketing strategies and mortgage strategies between Chinese and non-Chinese employees, and explored the influence of ethnicity over market knowledge in this multi-cultural country.

In general, a series of formative strategies are performed by Chinese and non-Chinese real estate employees in the present market based on New Zealand relevant laws and policies. They obey the standard procedures to serve clients. This research provides a function as a microscope to identify those Chinese cultural factors in the purchase process to help all staff – not just Chinese staff - realize a number of characteristics of Chinese clients. It can therefore act as a funnel to gain the trust of clients, and this will. In turn help us understand the role of real estate employees in this market and their different marketing and mortgage strategies. It will help the new real estate employees to develop industry skills in the Auckland residential market and then improve the effectiveness of the marketing and mortgage strategies in this market.

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Appendix 1 Participant Information Sheet for the Focus Group



Participant Information Sheet

Hello! Kia Ora!

My name is Feng Xu. I am a student of the Master of Business degree at Department of Management and Marketing, Unitec New Zealand. I am presently conducting a research project that will constitute a Master Dissertation in the field of management and marketing.

For this research I am undertaking a comparative study of the perspectives and role of real estate brokers in Auckland housing market. This project will compare the marketing and mortgage strategies of Chinese and non-Chinese real estate brokers in Auckland. I am researching this topic because there has been little research done in New Zealand in this area. It is also an interesting field to investigate, and will benefit further marketing research in this area.

I would like to invite you to a one hour focus group with professional real estate brokers, or other real estate experts, to help me collect relevant data. While I would appreciate any assistance you can offer me, you are under no obligation to participate. With your consent, I would like to audiotape the discussion, although all information you provide in the focus group will be confidential and your name will not be used in any subsequent writings.

If you agree to participate, you may withdraw from your participation within two weeks of the focus group without giving a reason.

Thank you very much for your time and help in making this study possible. If you have any queries or wish to know more, please phone me at the number given below, or write to me at:
floarsnoopy@hotmail.com
Phone: 021 0763432

My principal supervisor is: Dr Ken Simpson

Dr Ken Simpson
Department of Management and Marketing
Unitec New Zealand
Private Bag 92025
AUCKLAND Phone: (09) 815 4321 ext. 7015

For any queries regarding ethical concerns please contact:

UREC Secretary
Research Office
UNITEC New Zealand
Private Bag 92025
AUCKLAND Phone: (09) 815 4321 ext. 6162

UREC REGISTRATION NUMBER: 2009-1002

This study has been approved by the UNITEC Research Ethics Committee from (date) to (date). Any issues you raise will be treated in confidence and investigated fully, and you will be informed of the outcome.

Appendix 2 Participant Information Sheet for the Interview



Participant Information Sheet

Hello! Kia Ora!

My name is Feng Xu. I am a student of the Master of Business degree at the Department of Management and Marketing, Unitec New Zealand. I am presently conducting a research project that will constitute a Master Dissertation in the field of management and marketing.

For this research I am undertaking a comparative study of the perspectives and role of real estate brokers in the Auckland housing market. This project will compare the marketing and mortgage strategies of Chinese and non-Chinese real estate brokers in Auckland. I am researching this topic because there has been little research done in New Zealand in this area. It is also an interesting field to investigate, and will benefit further marketing research in this area.

I would like to conduct a number of one hour in-depth interviews with professional real estate brokers and other real estate industry experts to help me answer these questions. While I would appreciate any assistance you can offer me, you are under no obligation to participate. With your consent, I would like to audiotape the interview, although all information you provide in the interviews will be confidential and your name will not be used in any subsequent writing.

If you agree to participate, you may withdraw from your participation within two weeks of the interview without giving a reason.

Thank you very much for your time and help in making this study possible. If you have any queries or wish to know more, please phone me at the number given below, or write to me at:
floarsnoopy@hotmail.com
Phone: 021 0763432

My principal supervisor is:

Dr Ken Simpson
Department of Management and Marketing
Unitec New Zealand
Private Bag 92025
AUCKLAND Phone: (09) 815 4321 ext. 7015

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UREC REGISTRATION NUMBER: 2009-1002

This study has been approved by the UNITEC Research Ethics Committee from (date) to (date). Any issues you raise will be treated in confidence and investigated fully, and you will be informed of the outcome.

Appendix 3 Consent Form



Consent Form

A Comparative Study of Marketing Strategies of Chinese and Non-Chinese Real Estate Brokers in Auckland

The research project has been explained to me and I have read and understand the information sheet given to me.

I understand that I do not have to be part of this if I do not want to and I may withdraw at any time prior to the completion of the research project.

I understand that everything I say is confidential and none of the information I give will identify me and that the only persons who will know what I have said will be the researcher and her supervisors. I also understand that all the information that I give will be stored securely for a period of 5 years.

I understand that my discussion with the researcher will be taped and transcribed.

I understand that I can see the finished research document.

I am aware that I may contact the Research Supervisor, Dr Ken Simpson, at Unitec, (09) 8154321 ext. 7015 or the researcher at 0210763432 if I have any queries about the project.

I have had time to consider everything and I give my consent to be a part of this.

Participant Signature: _____ Date: _____

Print name: _____ Date: _____

Consent for audio taping discussion/ interview

UREC REGISTRATION NUMBER: 2009-1002

This study has been approved by the UNITEC Research Ethics Committee from (date) to (date). Any issues you raise will be treated in confidence and investigated fully, and you will be informed of the outcome.

Appendix 4 Focus Groups Schedule

a) Introductions (5 minutes)

Hi, welcome to this focus group to discuss strategies of real estate brokers in Auckland. Let's start by introducing yourself to all of us. What is your name, where are you from originally, how long have you been in New Zealand?

b) Review the real estate industry in Auckland (10 minutes)

Tell us about your business, what made you choose this career? What have been the main developments in the housing market in Auckland during the last ten years? What do the next five years prospects look like?

c) The role of real estate brokers (15 minutes)

What do you think is the role of a real estate broker in NZ? What are the typical 'interventions' in the process that are facilitated by real estate brokers? Is there any particular intervention that is particular to Chinese buyers? How do interventions work with Chinese buyers?

d) Ethnicities (15 minutes)

Apart from native-born New Zealanders, what is the largest ethnic group you deal with? What do you think is different about Chinese home buyers when making decisions, what are their important expectations about properties? How important is price, land size, home size, location, schools and shops, Feng Shui? How long does it take for a new Chinese immigrant to discover the nature of the New Zealand housing market and to buy a house? Who makes the buying decision, husband or wife? Is there difference between Chinese and non-Chinese? What other aspects do you think are the most difference between Chinese and non-Chinese buyers when making decision to buy a house?

e) Mortgage strategies (15 minutes)

What is the attitude of Chinese buyers to mortgage compared with non-Chinese buyers? Are there any mortgage strategies that are particular to Chinese buyers? What are the most common decisions on fixed or floating, duration of loan, first payment percentage? What aspects of mortgage behaviour are most different between Chinese and non-Chinese buyers?

Thank you for your participation.

Appendix 5 the Interview Schedule

Preface: Self-introduction including myself and my topic. Explain the purpose of the interview. Give the time frame.

Part One: Basic Information

- Where are you originally from?
- How long have you been in New Zealand?
- How long have you worked in real estate industry?

Part Two: Review the Real Estate Industry in Auckland

- What have been the main developments in the housing market in Auckland during the last ten years? What do the next five years prospects look like?
- What is the influence from global money and immigration on the real estate industry?

Part Three: The Role of Real Estate Brokers

- What is the role of a real estate broker in NZ?

Part Four: The Influence of Ethnicities on Real Estate Industry

- Apart from native-born New Zealanders, what is the largest ethnic group you deal with?
- What do you think is the difference between Chinese and non-Chinese home buyers when making decisions?
- Do the trust between brokers and buyers based on the same language and cultural background? Where do you think the trust is from?
- Do you classify your customers by ethnicity group? Why (not)?

Part Five: Marketing Strategies

- What are the typical skills to find the prospect buyers?
- Is there any particular negotiation skill to (non-)Chinese buyers due to the culture background, such as Mianzi?
- How important is price, land size, home size, location, schools and shops, Feng Shui to Chinese and non-Chinese?
- Compared with non-Chinese buyers, are Chinese buyers more emotional to buy a house or do they prefer unconditional buying a house? Why?

- Who makes the buying decision in Chinese and non-Chinese family? Husband or wife?
- Do non-family members of buyers influence the decision making in Chinese and non-Chinese community?
- Do Chinese buyers cluster in some suburb? Do Chinese prefer living in Chinese community?

Part Six: Mortgage strategies

- What is the attitude of Chinese buyers to mortgage compared with non-Chinese buyers?
- What are the most common decisions on fixed or floating interests, duration of loan, first payment percentage in Chinese and non-Chinese customers?
- What is the most important consideration when buyers choose mortgage? Is the reputation of banks important?

Close-up: Explain Confidentiality. Sign consent form. Give souvenirs. Thanks for your participation.