



Home Buying Among Ethnic Groups

**DRAFT REPORT
MAY 2004**

a survey conducted for
the Real Estate Center by
 **HarrisInteractiveSM**

Copyright 2004
Real Estate Center at Texas A&M University



About the Real Estate Center

979.845.2031

www.recenter.tamu.edu



Can a homeowner trim a neighbor's tree when the limbs cross the property line? How do you get a Texas real estate license? What's the median price of an existing Midland home? Why are water rights being bought and sold? My landlord won't install a smoke detector. What can I do?

Everyone has real estate questions. The Real Estate Center at Texas A&M University has the answers.

The Center is the nation's largest publicly funded organization devoted to real estate research. Most of our \$2 million in annual funding comes from real estate license fees paid by more than 100,000 professionals. A nine-member advisory committee appointed by the governor provides research guidance and approves the budget.

The Center's staff conducts research on financial, socioeconomic, public policy, trade, legal, land use and local market analysis issues related to real estate.

The results of Center research are communicated in a variety of formats, including our website, publications and videos. The Center's flagship periodical — *Tierra Grande*, a quarterly magazine — has a circulation of 117,200. Twice a week, an electronic real estate newsletter, Real Estate Center Online News (RECON) is sent to over 11,000 subscribers. Our most requested publications (listed below) reflect the wide variety of issues our constituents want to know about.

- *English-Spanish Real Estate Glossary*
- *Landlords' and Tenants' Guide*
- *Homebuyer's Guide*
- *Homeowner's Guide*
- *The Texas Deer Lease*
- *The Texas Property Tax System*
- *Consumer's Guide to Mortgage Finance*
- *Hints on Negotiating an Oil and Gas Lease*

Real Estate Center staff members also travel around Texas disseminating research findings through speaking engagements to industry and citizen groups and conferences such as the Annual Outlook for Texas Land Markets and the Annual Ad Valorem Taxation Legal Seminar.

Part of the Mays Business School, the Real Estate Center is located in the E.L. Wehner Business Administration Building on the Texas A&M University campus in College Station.



Table of Contents

| | |
|---|----|
| Introduction | 5 |
| Overview of Methodology | 6 |
| Key Findings | 7 |
| Summary of Specific Key Findings. | 12 |
| Recommendations/Suggestions. | 20 |



Introduction

- The Real Estate Center at Texas A&M University commissioned Harris Interactive to conduct the *Home Buying Among Ethnic Groups Survey* among Texans in order to provide the real estate community with timely and actionable information they can use to better serve the changing needs of Texas real estate clients.
- Prompted by the changing demographics in Texas with increasing numbers of Hispanic and Asian adults, a telephone survey was conducted among more than 4,000 Texans to better understand the differing needs and desires different racial and ethnic groups may have so that the real estate community can best understand and meet these needs.
- More specifically, the survey explored the following:
 - Views towards and experience with home ownership;
 - Views towards and experience with real estate professionals;
 - The relative importance of various characteristics considered desirable in a real estate agent; and
 - The relative importance of various services real estate agents could or should provide.



Overview of Methodology

- Telephone interviews were conducted of 4,080 Texans 18 years of age or older including 880 White non-Hispanics, 1,870 Hispanics, 772 African-Americans and 481 Asians.
- The sample design was developed so that an overview of the entire Texas population could be measured as well as examining the similarities or differences between these racial and ethnic groups.
- In addition, the survey was designed to ensure sufficient numbers of interviews among three key groups: current homeowners (n=2,086), likely buyers defined as those considering a home purchase in the next two to three years (n=914) and non-likely home buyers defined as those not considering a home purchase in the near future (n=1,080).
- Surveys were conducted in English and Spanish. The Asian population included respondents from all Asian backgrounds and all interviews with this group were conducted in English.
- Surveys averaged 22 minutes in length for homeowners and likely home buyers, and 10 minutes for non-likely home buyers. Interviews were conducted between November 14, 2003, and December 31, 2003.



Key Findings

- The importance of agents making a good impression and meeting their clients' expectations is of critical importance in retaining current clients as well as acquiring new ones.
 - The majority of Texans have found the agent they worked with through a personal recommendation or contact.
 - Those who indicate that their agent met or exceeded their expectations are far more likely to indicate they would use an agent again in the future. This is especially true among those who report their agent exceeded their expectations.
- Experience with real estate agents is associated with owning higher value homes, a greater degree of comfort with the overall home-buying process, and a greater likelihood to use an agent in the future.
- Agents can market to different groups of potential clients based on their desire for different characteristics in a real estate professional.
 - These differences were used to define four segments of Texans, each with unique needs when it comes to selecting an agent to work with.
 - However, once they have identified someone to work with, expectations of what services the real estate agent should provide are fairly consistent across groups
- For the most part, Texans have a positive view of real estate agents and feel comfortable with the overall home-purchasing process.
 - Some groups, such as Hispanics, need additional education about the process and positive role agents can play.
- Perhaps not surprisingly, but important to note, is that rates of homeownership increase with age, income and the likelihood of being married.



Key Findings by Racial/Ethnic Group

■ Hispanics

- Have the least experience with real estate agents or home ownership
- Most financially conservative
- Family is a primary source of information and advice
- Most likely to want or need an agent who speaks Spanish; sizeable proportions do not feel comfortable conducting business transactions in English

■ Whites

- Have the most experience with home ownership and real estate agents
- Have among the highest rates of current home ownership

■ Blacks

- Receptive to real estate agents and are likely to seek advice and information from them
- Financially conservative
- Motivated to buy a home by a need for more space and financial considerations

■ Asians

- Receptive to real estate agents, and rely on them for advice and information
- Own the biggest and most expensive homes; more likely to purchase newly constructed homes
- Feel fairly comfortable with the overall home-buying process



Profile of Respondents

| Hispanics | Whites | Blacks | Asians |
|--|---|---|---|
| About half are likely to buy a home in the next few years | They are the least likely to buy a home in the next few years | Four out of ten are likely to buy a home in the next few years | More likely than other groups to buy a home in the next few years |
| Nearly half want to pay the same or less than their current rent to own a home | Most willing to pay significantly more than their current rent to own a home | Little more than half are willing to pay more than their current rent to own a home | Willing to pay more than their current rent to own a home |
| The main reasons for buying a home are needing more space; getting married; and low interest rates | The main reasons they buy homes are for more space and getting a new job in a new location | The most common reasons for buying a new home are needing more space; reaching a certain age; a new job in a new location; and low interest rates | The most common reasons for buying a home are a job in a new location; needing more space; low interest rates; and reaching a certain level of wealth |
| They are more likely than other groups to think various aspects of the home-buying experience are difficult | They think most aspects of the home-buying experience are easy, though the most difficult is finding an agent they are comfortable with | More than other groups, they think various aspects of the home-buying process are easy | Most think various aspects of the home-buying experience are easy, though the most difficult aspect is figuring out if they got a good deal |
| Nearly half think agents don't take the time to understand one's needs, and they are the least likely to think agents earn their fees by providing valuable services | Have generally positive views of agents, though are least likely to think it's a good idea to use an agent to buy or sell a home | Have high opinions of real estate agents, and are more likely to think that using an agent is a good idea | They have generally positive views of agents |
| They learn about neighborhoods from personal contacts, driving through neighborhoods, visiting real estate offices | Least likely of all groups to use real estate sources to learn about neighborhoods | They learn about neighborhoods by driving through them, personal contacts, visiting real estate offices, and local newspaper listings | They learn about neighborhoods through real estate media; driving through specific neighborhoods, and personal contacts |
| The first person they go to for real estate advice is a parent, then a real estate broker or agent | The first person they go to for real estate advice is a broker or agent, then their parents, then a builder | The first person they go to for real estate advice is a broker or agent, then their parents, and a mortgage company | The first person they go to for real estate advice is a broker, then their parents |



Profile of Respondents

| Hispanics | Whites | Blacks | Asians |
|---|--------|---|--|
| They have the lowest value homes and the lowest expectations of what they will pay for a home | | Most are comfortable buying a house with a small down payment | Own the highest-value homes, and those who are likely to buy expect to pay more than those in other groups |
| Visit the least number of homes before buying one | | Half think it is hard to qualify for a mortgage loan | More likely to own new homes rather than previously owned |
| More than half think it is hard to qualify for a mortgage | | Most likely to negotiate fees, and most do it successfully | Most likely to successfully negotiate fees |
| Most are comfortable buying a home with a small down payment | | | Visit the most homes before making a decision |
| | | | See low interest rates as a good reason to buy a home |



Profile of Respondents

| Homeowners | Likely Home Buyers | Non-Likely Home Buyers |
|--|--|---|
| Most likely group to be married, to have incomes above 50k, to have a college degree or above, and to be White | About half are married, have incomes below 50k, have a high school diploma or less, and are Hispanic | About half are single; most have incomes below 50k and have a high school diploma or less; about half are White |
| About 3/4 think it's a good idea to use a real estate agent when buying or selling a home | Most likely group, about 9/10, to think it's a good idea to use a real estate agent when buying or selling a home | Least likely, about 7/10, to think it's a good idea to use a real estate agent when buying or selling a home |
| Least likely group (about 1/3) to think real estate agents don't take the time to understand your needs | Two out of five think real estate agents don't take the time to understand your needs | About half think real estate agents don't take the time to understand your needs |
| Most likely to say that needing more space, a new job in a new location, or a change in a family situation motivated them to buy a new home | Most likely to say that needing more space, a new job in a new location, and getting married would motivate them to buy a new home | |
| More likely than likely home buyers to think aspects of the home buying process are easy, such as knowing how much mortgage you would qualify for and if you got a good deal | Compared to homeowners, likely home buyers overestimate the difficulty of aspects of the home buying process | |
| Along with likely home buyers, most homeowners think owning a home is a good financial investment and that it's important to pay off a home loan as quickly as possible | More likely than homeowners to think it's hard to qualify for a mortgage loan, and to be comfortable buying a home with a very small down payment | |
| Along with likely home buyers, most likely to find a neighborhood by relying on family and and to driving through neighborhoods | More likely than homeowners say they would rely on real estate office information and media such as the Internet and newspapers to find a neighborhood | |



Summary of Specific Key Findings

Current Living Arrangements

- While most Texans own their own homes, rates of homeownership are lower than nationally.
 - Income, however, is an important variable – majorities of all groups with incomes of \$50,000 or more are homeowners.
 - Among non-homeowners, 40% are likely to purchase a home in the next two to three years, a finding most true among Asians and Hispanics.

- More than half of likely home buyers are willing to extend themselves financially by making larger monthly payments than they currently do in order to own a home.
 - This is more likely to be expressed by Whites and Asians and least likely to be expressed by Hispanics.

- A substantial proportion of Texans own homes below the statewide median value of \$82,500. The typical Hispanic homeowner owns a home they value at 32% lower than the median (\$55,700) while the typical Asian reports a home value 74% above the median (\$142,400).
 - Experience with real estate agents is also associated with higher than median home values (\$93,500 vs. \$81,700 for homeowners).



Summary of Specific Key Findings (Cont'd)

Attitudes Toward Homeownership

- Owning a home is still part of the American Dream - nearly all homeowners and likely buyers agree that it's a good financial investment. Three-quarters agree that it's important to pay off the mortgage quickly and two-thirds are comfortable buying a home with a small down payment.
- Many Texans, of all backgrounds, also find various aspects of the home buying process to be easy.
- Experience is an important factor in the formulation of people's views.
 - Those with experience, either with homeownership or with real estate agents, are more likely to find various aspects of the home-buying process to be easy.
 - Hispanics are less likely than other groups to consider various aspects of the process as easy.
 - Blacks, Hispanics, likely home buyers and those who have never worked with an agent are all more likely to believe that it's hard to qualify for a mortgage.
- Needing more space is the single most commonly cited reason for buying a home.
 - Among the reasons why more space is needed are getting married or a new child in the family.



Summary of Specific Key Findings (Cont'd)

Information Sources

- Personal contacts and personal exploration (driving through neighborhoods) are the most common ways of learning about potential neighborhoods.
- Real estate or business contacts are the most common first points of contact when a decision to purchase a home is made.
 - This is especially true for Blacks, Asians, and those who have previous experience with real estate agents. Hispanics are more likely than other groups to ask a family member for advice.
- Among those who have used an agent, the majority found the agent through a personal recommendation or contact.



Summary of Specific Key Findings (Cont'd)

Attitudes Toward and Experience with Real Estate Agents

- Most homeowners and likely buyers have positive views toward real estate agents, though these views are not universally held.
 - Most think it is a good idea to use agents in a real estate transaction, that they provide valuable services, that they take the time to keep clients informed, and that they are trustworthy.
 - Hispanic adults are more likely than other racial and ethnic groups to believe agents *do not* take the time to understand one's needs.
- *Observation:* This could be related to the finding that many Hispanics would prefer to work with/need to work with an agent who speaks Spanish. Many Hispanic respondents felt uncomfortable handling business transactions in English.



Summary of Specific Key Findings (Cont'd)

Attitudes Toward and Experience with Real Estate Professionals

- It is more common for Texans to have used a real estate agent to purchase a home than to sell a home.
 - Hispanics have the least experience with real estate professionals, in either buying or selling a home; perhaps leading to their less-positive views of real estate agents overall.
- Agents should be prepared to negotiate their fees. Four in ten adults who have used an agent have negotiated the fee, and three-quarters of these have done so successfully.
 - Blacks and Asians have been the most successful in negotiating reduced fees.
- In considering using an agent in the future, seven in ten adults are likely to use an agent to *purchase* a future home, while roughly half would use an agent to *sell* a home in the future.
 - The likelihood of using an agent to either buy or sell a future home is higher among those who have used agents.
 - Among those who believe the agent they worked with exceeded their expectations, the likelihood of using an agent in the future or recommending using an agent increases dramatically. Nearly all of those who report their agent exceeded their expectations would recommend using an agent.
- More than half of homeowners or likely buyers would like frequent – several times a week – communication with their agent, whether they are buying or selling a home.
- Among those who cite something specific they would change about their experience, they most commonly mention the real estate agent.



Summary of Specific Key Findings (Cont'd)

Attitudes and Experiences of Non-Likely Home Buyers

- For the most part, those not currently in the market to buy a new home are satisfied with their current living arrangement.
 - They like their neighborhood and their neighbors though would like more space.
- Most are waiting to buy a home until they become more financially secure, which is consistent with the finding that homeowners tend to have higher incomes.
- Non-likely home buyers have generally positive views of real estate agents, though Hispanics are most likely to think agents do not take the time to understand one's needs.
- When making a significant purchase, non-likely home buyers are most likely to contact someone they know.



Summary of Specific Key Findings (Cont'd)

Segmentation Analysis

- The trade-off exercise and analysis revealed four distinct groups of Texans, each with individual ideas of what qualities they would want a real estate agent to possess.
- Among the characteristics that distinguished these groups were income (above or below \$50,000); being of Hispanic origin; and, for whites, educational levels.
 - Higher income groups were more concerned with the agent's reputation and technological proficiency.
 - Lower income groups had greater interest in the reputation of the firm and having a national affiliation.
 - Hispanics, of all income ranges, demonstrated a preference for agents who could relate to them, meaning they spoke their language, had the same ethnic background, were young and had a neat workspace.



Summary of Specific Key Findings (Cont'd)

Segmentation Analysis

- Respondents were also asked to evaluate the importance of various services a real estate agent could provide, using the same trade-off technique.
- On this point, there is much more uniformity in what potential real estate clients want, despite differences in the qualities an agent may possess.
 - This is quite important, in that it implies that agents might successfully market their services based on different characteristics of different groups, but once that business is obtained they need to deliver the same services, regardless of group.
- All respondents, regardless of segment, want the agent to manage the closing process in its entirety. They also consider it quite important for the agent to explain the process, explain contracts, set the right asking price and negotiate on their behalf.



Recommendations/Suggestions

- Agents should set clear expectations with potential clients about what specific services will be provided.
- Agents should keep in close touch, several times per week, with their clients.
- Agents would benefit from following up with clients and getting an assessment of their performance once the transaction has been completed.
 - This is especially important to ensure that clients recommend using an agent, and specifically the one they used, and also to ensure they use an agent in future transactions.
- Agents could provide an important educational role in how the overall process works. More specifically, they could provide a service by informing potential clients how the mortgage process works, how to estimate how much mortgage one can afford and what is really involved in applying for a loan.
 - This type of service would be of particular value to Hispanics and non-likely home buyers, who will likely be potential homebuyers at some point in the future.
- Agents should be prepared to negotiate fees, as this is becoming fairly common, especially among Blacks and Asians.
- It might be worthwhile to develop better relationships with builders, as many newly constructed homes are purchased without an agent.
 - This is especially true for the Asian population, who are more interested in new construction.



For more information about this study, contact:

Gary Maler
Associate Director
gmaler@recenter.tamu.edu
979.862.4867

Malcolm Richards
Director
rmr@tamu.edu
979.845.2076

David Jones
Communications Director
djones@recenter.tamu.edu
979.845.2039