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Key factors influencing customer buying behaviour in the Cyprus real estate market

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KEY FACTORS INFLUENCING CUSTOMER BUYING BEHAVIOUR IN THE CYPRUS REAL ESTATE MARKET

By

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ABSTRACT

Buying a property is one of the most important decisions that local people or foreigners make in their lives, either for investing, or for holiday / permanent residence in the country they select. This thesis investigates the property buyers in Cyprus through the years of property booming, but most importantly, scrutinize over the declining period in the real estate market of Cyprus.

In 2000, foreign buyers, mostly British, began purchasing properties in Cyprus. Under such ongoing circumstances, the real estate market was affected positively, showing an increase in numbers of home buyers up to the year 2007 (Hill, 2013).

It was during this period that a great lot of amateur companies, attracted by easy money - regardless of profession, experience or knowledge-, joined the real estate business. As of it, mistakes were to be made in a lot of aspects, and which will be discussed later in this thesis.

Likewise, the government services not prepared for this load of work and having to deal with the growing force of real estate laymen, tried to move fast forward to satisfy the huge demand without upgrading their services or staff.

The Banks, due to this over-expansion in this new sector, saw an interest in giving

loans to any applicant, often without ensuring reliable and trustworthy guarantees from their clients.

The aim of the present work however, is to identify:

The main factors leading home buyers to purchase in Cyprus and also the reasons to why they want to leave the island.

Most importantly this research is addressed to the Property Developers in Cyprus: Property Developers should not be indifferent to the needs, requests and desires of those who already have purchased property.

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CHAPTER 1

INTRODUCTION

The growth in the real estate market was the main factor that produced the so-called economic miracle in Cyprus (Cyprus Profile, 2014). Especially in the last decade, the second home and holiday home market has grown dramatically. More people coming from Northern Europe as well as from European countries, drawn by the warm weather and sun-baked homes, quickly merged with the local community.

Investment in real estate had always been a popular among the Cypriot Investor. People trusted real estate and acknowledged that over the years. Owning property is considered an investment that remains with you and your offspring.

But these past ten years, the real estate business has declined dramatically for the first time in Cyprus history bringing uncertainty for the future investors. There is no doubt that the Property Market in Cyprus has been suffering recently due to a number of factors, such as Cyprus joining the Euro in January 2008, the strength of the Euro against the Sterling and of course the global economic crisis.

Such economic sluggishness is largely driven by the decline in home buyers demand. The tightening lending criteria in the Bank sector, has resulted in a significant liquidity crisis.

According to E U business (2013):

“ In the Cyprus banking sector, which has driven prosperity on the Mediterranean island for two decades due to the tightening of lending criteria but also importantly, due to its exposure on buying the bonds of the Greek debt, has in the end been the trigger for the collapse of the country's economy. “Unfortunately we took a wrong decision to accept (in 2012) a haircut" on Greek bonds purchased in 2009 and 2010, said Mario Skandalis, a senior official of the Bank of Cyprus, the island's largest commercial bank: “We lost 4.5 billion Euros" in the process, Skandalis said. "We were responding to a request from the European Union." The Bank of Cyprus and the Popular (Laiki in Greek) Bank, the two largest banks in the island, are now on the brink of bankruptcy due to their high exposure to the Greek debt. The Cyprus government is racing to raise 5.8 billion Euros to unlock a 10 billion euro loan from a troika comprising the European Union, European Central Bank and International Monetary Fund to save the banking sector from meltdown and the island's economy from collapse.”¹

¹ EU business. (2013). *Banking at heart of Cyprus economic collapse*. [Online]. Available at: <http://www.eubusiness.com/news-eu/cyprus-economy.nak> [Assessed 15th of January 2014]

The Global History has taught us that the only viable and stable investment is the investment in Real Estate and the recent economic crisis and vast haircut in bank deposits that people suffered overnight recently in Cyprus confirms once again that people should place their life's saving in Real Estate.

As a consequence of problems with the banking sector, the rate of unemployment in the country was affected. Unemployment rates remain high while the government is diligently working at identifying means for job creation. Concurrently, both prices and rental rates for all property types have experienced declines. Furthermore a significant reduction in the number of building permits issued, suggests that construction activity will remain in a declining trend in the short-term.

To attract now new home buyers, is currently a vital strategic problem in the real estate business for all the property developers and real estate agents.

Last, but not least is that nowadays, a basic and vital objective for this category of businesses, is to develop professional skills. The period for easy ways of earning money does not subsist in Cyprus.

Hence, in such a critical situation knowledge on patterns of home buyers' behaviour becomes even more important. Those companies which will be able to understand how the potential home buyers think and identify their needs will be able to design appropriate products and attract customers with the right marketing strategies.

A preliminary research on the subject indicated that Businesses worldwide spend considerable amounts of money trying to learn what makes “customers tick”. The questions (Manning and Reece, 2004) they are trying to understand:

- Who buys?
- How do they buy?
- When do they buy?
- Where do they buy?
- Why do they buy?

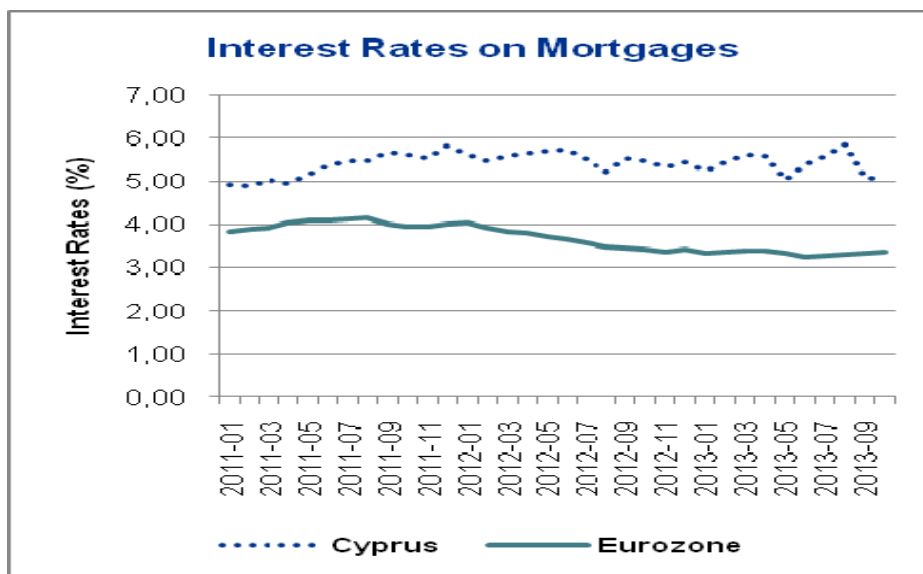
These questions under the prism of great changes in the world property market business environment show the complexity of the problem and the need for thorough investigation before any conclusion is drawn regarding the marketing strategies, but also the company strategies in general.

Before proceeding to state the particular aims of this dissertation, the next section presents a preliminary analysis of the current situation and the declining phenomena in the real estate market. This I hope could serve as justification of study that might help towards understanding why a formal study of the real estate market in Cyprus is necessary if not imperative.

The real estate market had been badly affected by problems encountered with the

banking sector in Cyprus. During the first ten months of 2013 interest rates on residential mortgages decreased by 0,37% from October 2012 to the same month in 2013. However, interest rates on mortgages in Cyprus are still much higher than in the Euro zone as shown in Figure 1.1 – approximately 200 basis points higher than average interest rates in 2013 (KPMG, 2014).

Figure 1.1: Interest Rates on Mortgages



(Source: CBC and ECB)²

According to Cyprus Real Estate Market Report of KPMG (2014), these above average interest rates, coupled with the tightening of loans granted by local banks,

² KPMG.(2014) *Cyprus Real Estate Market Report* [Online]
<http://www.kpmg.com/cy/en/Pages/default.aspx> [Assessed 15th January 2014].

have delayed potential investors from entering the market, both domestic and foreign. In fact, according to the December 2013 Economic Bulletin of the CBC, bank lending criteria is currently at the tightest level since the fourth quarter of 2008. Interest rates on corporate loans are also high. In particular, minimum 2013 interest rates in Cyprus were 6, 29% compared to 3, and 26% in the Euro zone. There are various reasons for the high interest rates on loans in Cyprus, including the high depository interest rates, the higher risks resulting from the increase in non-performing loans and the lack of liquidity faced by the majority of the credit institutions. It is anticipated that in the medium- to long-term, following the restructuring of the banking sector and the effective handling of non-performing loans, there should be a sizeable drop in interest rates on loans. As noted above, depository interest rates in Cyprus are significantly higher than those in the Euro zone; maximum 2013 depository interest rates in Cyprus were 4, 53% whilst those of the Euro zone were 2, 61%.

The cycle of the problem in the real estate market did not finish there. According to the Department of Lands and Surveys around 40,170 foreign buyers' properties faced such injustice of transferring the title deeds for the properties they had purchased on their name by the end of November 2011. Out of 51,654 properties purchased by non-Cypriots from year 2000 to November 2011, title deeds have been transferred on only 11,484, and the gap between the number of properties sold to foreigners and title deed figures continues to widen. Sales of properties felled up in June 2013 to 51 per cent compared with June 2012 according to figures recently published by the Department of Lands and Surveys, with numbers falling in all districts across the

island. Total reduction of sales all over Cyprus in 2013 in compare with 2012 went up to 46%. Cyprus Minister of the Interior Mr Neoclis Sylikiotis stated that those allegations are entirely unsustainable and, in any case, they ignore serious efforts for the reformation of the whole system of issuing property titles in Cyprus (Sylikiotis, 2009). This is one of the main problems that current clients face now and make prospective ones think twice in purchasing a property here. Conversely, the clients who want to buy now want only properties which have titles. As a result, properties without title deeds decreased approximately 30%.

To have a good knowledge of what is going on in the real estate market in Cyprus we thought that will be better to show a longitudinal figure with the sales trend, for the last 13 years. Therefore, according to the adopted form the land Registry Office statistic data we can see how Cyprus property market went dip into total stupor with property sales in 2013 appeared in the lowest level due to record. Table 1 and shows the sales decrease from 2000 until 2013. According to the adopted from the Land Registry Office statistic data we can see how Cyprus property market went dip into total stupor with property sales in 2013 appeared in the lowest level due to record.

According to Howarth (2013) at the third quarter of 2013 in compare with same quarter of 2012, the average price of a residential apartment has fallen by 14.6%, while the price of an average house has fallen 11.1%. Prices for commercial property have dropped as well, with the price of retail units falling by 20.2%. Prices of offices and warehouses have fallen by 13.2% and 16.2% respectively.

Mr. Stockwatch, a property valuer Mr. Polys Kourousides agrees that the fall was anticipated due to the lack of liquidity and the uncertainty in the economy.

Table 1: Cyprus Property Sales 2000-2013

| Cyprus Property Sales 2000 - 2013 | | | | |
|--|-----------------------|-----------------------|----------------------------------|--------------------|
| Year | Overseas Sales | Domestic Sales | Percentage Overseas Sales | Total Sales |
| 2000 | 450 | 12,214 | 3.6% | 12,664 |
| 2001 | 1,207 | 12,849 | 8.6% | 14,056 |
| 2002 | 2,548 | 14,111 | 15.3% | 16,659 |
| 2003 | 3,981 | 15,294 | 20.7% | 19,275 |
| 2004 | 5,384 | 11,947 | 31.1% | 17,331 |
| 2005 | 6,485 | 10,106 | 39.1% | 16,591 |
| 2006 | 8,355 | 8,598 | 49.3% | 16,953 |
| 2007 | 11,281 | 9,964 | 53.1% | 21,245 |
| 2008 | 6,636 | 8,031 | 45.2% | 14,667 |
| 2009 | 1,761 | 6,409 | 21.6% | 8,170 |
| 2010 | 2,030 | 6,568 | 23.6% | 8,598 |
| 2011 | 1,652 | 5,366 | 23.5% | 7,018 |
| 2012 | 1,476 | 4,793 | 23.5% | 6,269 |
| 2013 | 1,017 | 2,750 | 27.0% | 3,767 |
| Total Sales | 54,263 | 129,000 | 29.6% | 183,263 |

Source: Department of Lands and Surveys³

According to Kourousides (Cyprus news 2013) claim:

“Parliament’s approval of the draft law on the suspension/reduction in Property Transfer Fees will make a positive contribution to the market and it was actually one of the proposals made by the Valuers’ Association three years ago. The Vice Chairman and spokesman for the Real Estate Agents’ Association, Solomon Kourouklides, said that reduction in VAT to 5% and

³ Howarth, N. (2013). Sales in 2012 plummet to record low. [Online]: <http://www.news.cyprus-property-buyers.com/2013/01/10/sales-in-2012-plummet/id=0013795> [Accessed 10th January 2013].

the reduction in transfer fees were two small steps in the right direction and his Association welcomed them, but added that they should have been taken three months ago. Mr Kourouklides believes that the biggest problem is the lack of liquidity and that the measures cannot change the market by themselves; further incentives are needed.”

Taking into consideration all the above statements we realize the urgency of deriving possible solutions in the real estate market. Such strategic solution can only be derived by a formal investigation of the reasons that lead to the above problems and the way client’s reflect about this major concern of them. This is what the present study attempts to do. These particular aims will be discussed below.

Another factor that affects the tourist zone and building industry in Cyprus is the infrastructure and other new developments. However, the city that has been influenced more is Paphos. In Paphos, tourist and building industry constitutes the “backbone of the economy” as Leptos cited in Polemitou (2009) states. In addition, there are issues regarding infrastructure and new developments which need extreme attention from local authorities but mostly from the government and ministries. Paphos need to attract more quality people which leave more money. Mr. George Leptos, president of Chamber of Commerce and Industry in Paphos (CCI) incited the government to follow quicker procedures in authorizing the beginnings of the infrastructure projects because many tourist and second home buyers do not attracted from Cyprus any more. However, there are a lot of other destination with better infrastructures, history and nature, (Polemitou, 2009). Mr. Savas Vergas the Mayor

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in Paphos, stated in Simerini newspaper that new developments in the district of Paphos will help. Moreover, by creating new attractions for tourists and second home owners like the “new marina” will bring wealthy investors. Mr. Omirou president of kinima sosialdimokraton (EDEK) added that the plan in developing new attractions in Paphos is an essential element which can boost economy. (Polemitou, 2009).

A further critical factor which again has influenced clients from European and non-European counties to purchase a property in Cyprus is the finding of reliable and trustworthy lawyers in Cyprus.

According to Howarth (2009) claim:

“THE MOST COMMON mistake people make when buying property in Cyprus is to use a lawyer who has been introduced or recommended to them by a property developer, while others fall into the trap of using their so-called ‘free’ legal services. However, to help avoid legal problems and reduce the risks associated with buying property on the island, Howarth suggest that it is vital that clients take legal advice from a source that is independent from anyone else involved in the transaction, particularly the seller, before purchasing property. Therefore it is essential that you do not sign any papers or hand over any money until you have done so.”

The above statement shows another one time that tourist and clients who interested for a second home abroad find it difficult to get familiar within Cyprus.

1.1. Research aims and objectives

The main objective of this study is to investigate the residential property buyer's behaviour in the real estate market. By investigating the influential factors determining buyer's decision making in real estate market in Cyprus. A key element of this research is the identification from the prospective buyers the real factors that cause them not buying now. In this study a methodical investigation needed will be done through targeted questionnaires and interviews.

The data were collected by interviews and questionnaires. Secondary data were also collected for making comparisons. The results exhibit some interesting findings in the key factors, which influence customer buying behaviour. Such results will be useful to future researchers in the field but also to practicing managers when designing the marketing strategies.

This dissertation consists of five chapters. The first chapter deals with introductory material, background information of the key problems and objectives.

The second chapter is the Literature review which is focused on different aspects of customer behaviour (think, feel, reason, and select between different alternatives). In view of the existing knowledge a critical evaluation is carried out on the methods and theories developed regarding customer buying behaviour.

In Chapter 3, methodology issues are examined including objectives, sample design, piloting, validity and reliability, collection of data and data analysis.

The results of this research are presented and discussed in chapter 4. Finally, in chapter 5 conclusions regarding the implications of the study and effective marketing strategies are drawn for the Cyprus real estate businesses.

CHAPTER 2

LITERATURE REVIEW

Behaviour of residential real estate buyers has been the focus of research for a long time. Given the challenges facing property market today, it is not surprising that considerable amounts of money spend in innovative new approaches and research tools as to expand the real estate buyer's behaviour. This of course has been taken very seriously and quite literally by countless firms (Carbone, 2003). There are many perspectives on home buyer's behaviour, but research orientations can roughly be divided into two approaches. The positivist perspective emphasizes the objectivity of science and the home buyer as a rational decision-maker. The interpretive perspective, which currently dominates in this study and in contrast, stresses the subjective meaning of the homebuyer's individual experience and the idea that any behaviour is subject to multiple interpretations rather than one single explanation.(Solomon et al., 2006)

According to opinion of many famous Psychologists, the psychology of marketing helps firms to understand how real estate customers think and select between different alternatives. Therefore such opinion can be divided in to two broad terms external and internal factors. Both approaches on studding the influence of buyers by

their environment like culture, family, feelings, signs, and media or by limitations in knowledge or information processing abilities which can surely influence decisions. (Gibler and Nelson, 2003; Solomon, (no date); (Solomon et al., 2006).

Underlying this attempt is the assumption that data collected via research might yield evidence regarding the current situation of the real estate buyer's behaviour in Cyprus. Such results will be useful to future researchers in the field but also to practicing managers when designing the marketing strategies.

As research evidence suggests, a possible way to obtain answers to the questions that have been being addressed in this survey might be through the analysis of data collected by means of interviews and also by means of questionnaires with the subjects selected for the purpose of the study. (Kumar et al 1999; McDaniel and Gates, 1998; Miles and Huberman, 1994 in Koklić and Vida, 2009, p.83).

2.1. How home buyers make buying decisions in the real estate market

Koklić and Vida (2009, p.77) “urges researchers to further explore the most important and challenging home buyer decision making when buying strategically important goods”. This strategic decision, strait influences the budget in other household economic resources.

Empirical research in the field of property market support that this decision is complex. This is because the house is the most important durable goods (Koklić and Vida, 2009). Peter and Oslon 2002 cited in Koklić and Vida (2009, p.79) claim that the most appropriate theoretical basis for consumer decision making and behaviour is the “cognitive processing model”. However these findings has been researched and suggested also by psychologists and sociologists who claim that the “home buyer decision making is a goal directed problem solving process”. Therefore appendix 4 shows the model which adopted for this study.

Residential properties buyers according to Brown & Moore (1970), Spareare, Goldstein & Frey (1995); and Wiseman, (1980) cited in Gibler & Nelson (2003, p.66) who try to buy a house in a foreign country have to overtake three stages. First the decision to move, second the selection of a destination and third the selection of a particular house.

Therefore, coming to the selection of a house, Dibb (1994) cited in Gibler & Nelson (2003, p.68) argues that customers, firstly apply a non-compensatory decision rule to eliminate properties that do not possess the minimum requirements on primary issues such as price, size and location. Then they use a compensatory rule to evaluate each property across a wide range of secondary criteria which these differences can be categorized as either internal or external determinants of consumer behaviour (Appendix 4).

However, the model (Appendix 4) states that behaviour is best predicted by

intention. Therefore real estate researchers must attempt to identify as many of the constraints facing the consumer as possible to accurately understand & predict their behaviour. Thus real estate representative or researcher should ask not only about customer's attitude towards a product but their intention to buy it. Some useful tested examples are the price and social pressures that might inhibit consumer to make the purchase.

Most of the real estate study is based on neoclassical economic theory which assumes that people make rational economic decisions as to rent or buy a property due to the maximization of utility and value the properties based on physical attributes rather than consumer perception of the space, atmosphere and linkages. However academics instead of ignoring these human elements of decision making, suggests integrating consumer behaviour with economic approach to real estate. As a result, a greater knowledge of real estate consumers and their behaviour will lead to better understanding and prediction of decision maker's actions in the real estate market.

Therefore, when both theories are connected, real estate's are able to have the best linkage and serve better the home buyer. This is because, the study of economics focuses on outcomes and home buyer behaviour emphasizes on the process which a customer follows till he or she buys as to satisfy the home buyers need.

2.2. Internal determinants influencing customer behaviour

Real estate buyers consider the situation and product characteristics. They study all internal information when they have knowledge of the property they wish to buy, e.g., past experience on any property purchased. (Kiel and Laydon, 1981 and Engel, Blackwell and Miniard 1995 cited in Gibler & Nelson (2003). However, a study by Anglin (1997) argues that, previous experience on any property purchased play a role in searching for the next one. Therefore, 40% of clients in the study were first time buyers because the majority of those in the questionnaire buys only one time a holiday home or a permanent home.

Conversely, inexperienced buyers are more susceptible to external influences such as real estate agents in determining the criteria they should follow when selecting a property (Hempel, 1969; Bettman and Susan, (1987) cited in Gibler & Nelson (2003). This is because client's beliefs and attitudes affect external search. They like to search more for information, see open houses and inspect more properties before they make a final decision. (Punj, and Staelin, 1983; Beatty and Smith, 1987 cited in Gibler & Nelson, 2003).

Following the above mentioned literature an in-depth questionnaire has been prepared with the aim that cognitive and rational factors do not offer sufficient explanation of real estate buyer's behaviour in the case of such a decision to buy a house. However, the idiosyncratic characteristics of real estate buyers, the role of feelings, experience subconscious factors. Therefore, needs and goals should be taken into account as to understand better this kind of decision. (Koklić and Vida,

2009)

Another key element that influences residential property buyers in purchasing a property is the level of their education. Consumers that are more educated usually “search more, perhaps because of greater confidence in their ability to undertake the search and use the information gathered effectively” (Hempel 1996 in Gibler & Nelson 2003, p.66). Key factor which play a vital role to decision in psychological terms is “Perception” which is the motive that stimulus the initial impression in the person. Clients tend to use perceptual filtering only when having an existing need, so they disregard the rest. In fact, when someone decides to buy, only then be aware of properties that have been in the market for weeks. On the other hand, who is not interested may not even notice any advertisements. (Solomon et al., 2006).

It is important to leave good impressions when meet the client at the first time. Furthermore, taking the client to view some properties, the exterior of the building is the first thing will notice. If he/ she stay impressed then believe it or not he/she will reinforce the desire to like the property and will proceed in as well to proceed in walking in the house. According to a study by Nosar 1989, cited in Gibler & Nelson (2003, p.72), the real estate agents are been aware of this and they always move to likewise properties to have more success. Keep in mind that these interpretations vary with age, gender and social class. This is because personality influences consumer behaviour and need to be considered.

According to Foxall & Bhote 1993, cited in Gibler & Nelson (2003, p.72), “consumers with risk taking personalities are more likely to purchase innovative properties and make investments”. They will consider a wider range of housing

options which their “goal in life is success while risk avoiders want happiness”. These kinds of clients cannot be influenced easily and they will rely on their own knowledge, experience and less on sales agents.

A further criterion a real estate agent needs to consider is the lifestyle of a client. Through this, evolve distinctive ways in which clients live, their recreation, habits, and their expenditure. Also, their preference on activities, interests or opinions (Kelly 1995; Reynolds and Darden, 1974 cited in Gibler & Nelson (2003, p.73). However as lifestyle change, automatically changes the value of various properties attributes to clients. According to Ahluwalia, (1996) cited in Gibler & Nelson (2003, p.73) “the popularity of casual entertainment will reduce the value of houses with square footage devote to formal living rooms rather than family or great rooms”.

According to the findings of Koklić and Vida (2009, pp.84-85) their respondents viewed the house as a part of their personality which enables them to express their personality and lifestyle. However, men tend to evaluate the house more on the rational and functional level and women on the emotional level. Both believe that “the feeling of wellness” in the house is an important property criteria. Moreover the respondents prospective and current buyers wanted the house to reflect their lifestyle which leads to their house design preferences. One important aspect that they identify is the fact that, the developer has little knowledge of the individual customer’s lives. Giblet & Nelson (2003) adds that people want to have a house designed according to their ideal self-concept and taking into account realistic limitations.

2.3. External determinants influencing consumer behaviour

Some external factors affecting customer behaviour are culture, social class, reference groups and family. A number of cultural issues that can affect the person are when, ownership of single-family detached house with yard represents independence and success, especially among males social class.

In the social class theory is important to evaluate the hierarchical division of members of a society into relative levels of prestige status and power (Rossides, 1990 cited in Gibler & Nelson, 2003, p.74).

According to Gibler & Nelson (2003, p.74) some variables have emerged from the research as most important in determining social class: “the economic variables of occupation, income and wealth; the interaction variables of personal prestige, association and socialization; the political variables of power, class-consciousness and mobility”. However according to Coleman, 1983 cited in Gibler & Nelson (2003, pp.74-75) at least a three-level social class occurs in American society.

Therefore, status aspiration together with the class identification guide a residential property bayer to choose the housing compounds, next the income controls the selection of a home. However, developers should be aware of social class and preferences in designing houses and housing compounds to ensure that they will appeal to the expectations and self-image of members of the targeted social class.

More over “Architectural designs must reflect what members of the group would

expect in their type of neighbourhood” (Nasar 1989 cited in Gibler and Nelson 2003, p.75). For example, a fireplace according to Lawrence 1989 cited in Gibler and Nelson 2003, p.75) “acts as an index of the social value of occupants”. Other signals include the types and arrangements of interior decorations. Furthermore, when a new home buyer decides to buy a house does not have sufficient information as to adopt their desires and goals. In addition, a custom made house reflects its owner individuality and style.

According to the same author, some major criteria that play a vital role for the prospective buyer are the context of the house such as quality, warranty, isolation, price per square meter. However house size, its ground plan and location are not decisive criteria as defined by the buyer. To make his/her decision need to have a goal which is to “own a product”. This leads the consumer to a conscious interpretation of information. As a result of new information linked to existing knowledge, attitude is forwarded to new alternative of decisions. In addition product specifications offered by the producer is very important to the potential buyer along with the physical part of the properties, the level of service offered by the company and adaptability of the basic house design offered. (Gibler and Nelson, 2003)

One more key influential determinant of decision making is references. Therefore, Research has shown that “personal word-of-mouth influence” has a more decisive role in influencing behaviour than advertising and other marketer-dominated sources because of greater perceived credibility. (Herr, Kardes and Kim, 1991 cited in Giblet & Nelson (2003, pp.75-76).

Moreover, Research has shown that “word-of-mouth communication is an important source of information for real estate buyers” (Hempel, 1969; Johnson, Salt and Wood, 1974; and Burke, Belch, Lutz and Bettman, 1979 cited in Giblet & Nelson 2003, p. 76).

Giblet & Nelson (2003, p. 76) claim that

If real estate developers, investment bankers and brokers can identify the most important reference groups influencing real estate purchases, they can design and market their products in ways that assure consumers that the real estate purchase will be accepted and approved of by these group members. Testimonials by experts that express support for a builder or community will boost sales. So will slice-of-life advertisements that describe current community residents as a group to which other buyers would want to belong, such as successful businesspeople, wise investors or family-oriented parents who are involved with their communities and schools.

A next influential key element to help the sales is, family so as to have better results, real estate agents must appeal to both the spouses (husband & wife). The real estate builder and broker must appeal to both spouses while recognizing that each may be more interested and more influential on certain aspects of the decision.

This complication is reflected in Okoruwa and Jud’s 1995 cited in Giblet & Nelson (2003, p.76) findings that married buyers tend to be less satisfied with brokerage services.

According to Carbone (2003) argues that companies now make significant efforts to become more customers centric and listen more to the needs of customers. However

a basic foundation for business is to go directly to consumers and find out what they really think about a product, service or experience. In fact according to many marketing executives and scientist on the field, proves that 95% of human thought, emotion and action are rooted in the unconscious mind. Therefore businesses that have great marketing effectiveness must begin to understand the value of the above diverse new approaches. (Monat, 2009, p.22-24).

According to Carbone (2003) approximately 60%-80% of all new products fail because traditional research does not take into account how the home buyer mind works. Property developers generally approach the market from production orientation but not from consumer marketing orientation. Due to this fact Gibler and Nelson (2003) state two ways to examine consumer behaviour approach. The first is to look at a macro level, In other words democratic shifts as well as Society's values, beliefs and practices which affects how consumers interact with the market place. The Second is to view it on a micro level which focuses on human behaviour as the reasons behind these kinds of behaviours.

Basically, Understanding how and why home buyers make purchase decisions is vital to maximizing profitable sales, developing new products, growing companies and developing predictive sales models. (Solomon et al., 2006) Although hundreds of articles have been written on this topic, there are many discrepant theories and there is no concise, validated list of the key determinants of customer purchase decisions.

Indeed, the value of diverse new approaches is the "key to competitive advantage in

the 21st century” (Carbone, 2003).

Surprisingly, after the in-depth research that has been made for the literature in this study, there are not any studies of consumer buying behaviour in real estate market focusing in Cyprus, even in such times of economic crisis. Since consumer buying behaviour is obviously a critical component of success in businesses, the need to identify customer needs and attracting them with suitable approaches and offer the right products is so important in times with no sales and high competitive rivalry. Therefore, further research is needed to integrate existing evidence to test its applicability to the buying process for high priced products such as properties in Cyprus.

CHAPTER 3

METHODOLOGY

3.1. Sample design and measures

In order to examine the residential properties buyers behaviour in the real estate market and prospect the current situation in Cyprus we drew an interview (Appendix 2) designed for the general director of J. Aristodemou Ideal homes in Paphos. Mr. John Aristodemou who considers himself a pioneer entrepreneur and an expert in the real estate business, gave us useful knowledge of the subject. The following questions were asked:

- What do you think about the economic crisis?
- How long you think will continue?
- What are the effects in your business?
- Are you building according to your customers preferences? If yes, what techniques you do to identify customer needs?
- What criteria you believe customers consider in buying a house?
- What are the preferences of customers now during the crisis and what before?
- What are the major problems you face now with customers?

- What changes you believe you need to do in the company –marketing department and construction in order to attract more clients?
- According to the buildings you manufacture, how do you know if customers are satisfied?
- What are your promotional techniques for your product? Do you use marketing mix? (Product, price, place, promotion)
- How much did the sales decrease up to now and do you think that this downturn will continue for some time?
- However, the information we collected gave us valuable guidance in re-designing the questionnaire.

The method employed in distributing the questionnaires, in this study, is termed *Simple Random Sampling* (Wienclaw, 2009; Lind, Marchal 2002). According to Lind, Marchal 2002) “Simple random sampling is a sample selected so that each item or person in the population has the same chance of being included”. Therefore, samples of 12 constructions (6 projects of apartments, 4 projects of villas, 2 projects of town houses) in Paphos were randomly drawn in this survey. The six constructions were chosen randomly, by writing the name of each of the twelve projects on a small slip of paper and deposited all the slips in a box. After all the projects slips were thoroughly mixed, the process of drawing one by one slip out of the box was made till the sample size of six projects was collected. Four of the projects are in the main town and two in the sample are in the suburbs. Ten questionnaires were given to each project, so as an equivalent number of subjects would respond.

From the initial drawn sample of 100 questionnaires the nine were excluded due to incomplete responses to all variables. The other 10 samples, returned totally not completed at all by the respondents without any reason. A total of 81 questionnaires were returned. The questionnaire can be seen in the (Appendix 1).

The fact that the sample of this study was selected from the small geographical area of Paphos may limit the external validity of the study. However, the response rate of the sample (87%) could arguably be said that it might provide a good indication of the influential factors of customer behaviour in real estate market.

The questionnaire has three parts. In part I and II, demographics such as gender and occupation are examined. Question 1, 2 and 3 examine psychographic features such as: self concept, current client and prospective client, personal choice of purchased property, and life style for buying. The remaining in part I are research questions. Part II focuses in influential factors with regard to the decision of buying. Some questions, allow additional comments to be added.

Part III involves a list of factors, which reveal helpful guidance in the buying process along with some qualitative analysis such as questions that need written answers.

Likewise, we visited a client - namely Mr. Hawkins from a project of villas-. After handing him the questionnaire, he gave us the chance to speak with him for 1:30 hour in his house that day. The questions used for this informal interview were the same as in the questionnaire.

From his response we got useful qualitative interpretations in regard the current behaviour of clients in the real estate market.

3.2. Piloting, reliability and validity

The importance of factors such as reliability and validity (to get secure conclusions and practicality of findings), led me to adopt practical procedures that would give positive indications of both these two factors. The reliability procedure involved asking three persons to answer the questionnaire in two different time periods within three days. The answers coincided more or less, thus confirming the positive indication of reliability of the evaluation. Content validity was obtained by asking other three estate agents to rate each item of the three measures of the questionnaire on a 5-point scale, according to the extent to which they considered each item to be related to the theme being examined. The five-scale categories ranged from 1 ('not at all related') to 5 ('extremely related'). The three estate agents ratings were averaged giving means above median (3.0). This was interpreted as a positive indication of the validity of the research measure.

3.3. Data selection

Ten questionnaires were taken to each of the six constructions mentioned earlier and were distributed to an equal number of clients, on six different days. This was done during the last week of October.

Arrangements were made with the clients. Questionnaires (when ready) were collected from the coffee shop at the construction (6 constructions of apartments, 4 projects of villas, 2 projects of town houses). They were asked to return it within a week. This helped towards establishing a direct contact, which, along with the fact that anonymity was secured, encouraged feelings of security for free and sincere expression. The response rate in the valid samples was 87%

3.4. Data analysis

Production of figures and analysis of data for the three parts of the questionnaire has been performed through Microsoft Excel. The results are given in the form of pie charts and bar charts. Pie charts are useful for “depicting nominal level data” while bar charts can be used to “depict any of the levels of measurement, as nominal, ordinal, interval or ratio” (Lind, Marchal 2002).

For the purpose of this analysis, descriptive statistics were used. In particular,

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descriptive statistics were used to calculate frequencies and percentages.

Planning the questionnaire carefully before distribution and taking into account as many of the analyses as possible can probably prove to be the simplest safeguard in carrying out a study (Youngman, 1987). The data of this study did not face any special difficulties or problems. Facilities needed for analysis were considered during the structure of the questionnaire. Attention was paid to coding and systematic recording of the responses. In addition, provision was made for the questions to be of closed type that would facilitate the analysis stage.

CHAPTER 4

FINDINGS AND DISCUSSIONS

4.1. Introductory comments

The analysis of methodology followed in this study has been focused on obtaining background information relating to the respondents and information relating to the specific research questions. The results are given in the form of pie charts and bar charts.

4.2. Results regarding background information.

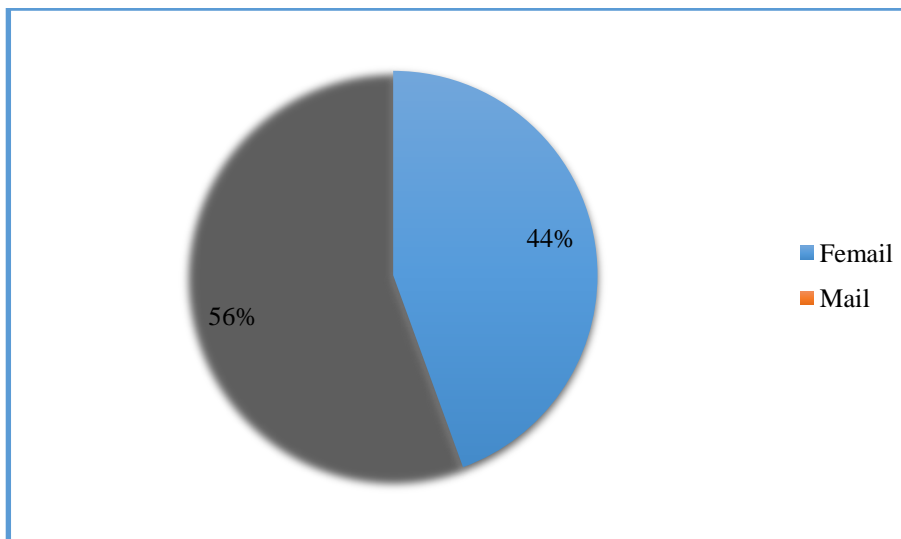
The background information's are given in the first 3 figures. There are presented in terms of frequencies and corresponding percentage. There were 100 participants who took the part in the research. Only 81 who responded. We separated them according to gender as shown on the figure 4.3.1

4.3 PART I

4.3.1. Gender Distribution

The analysis of the research was started with determining of the respondents gender and the received data are displayed below on the Figure 4.3.1.

Figure 4.3.1: Gender Distribution

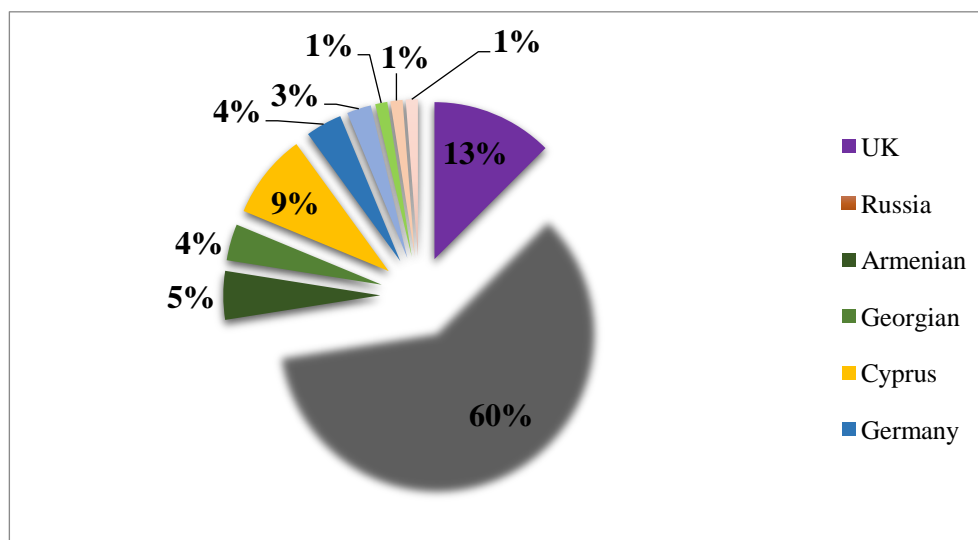


On Figure 4.3.1 shows that there were 45 males (56%) and 36 (44%) females in the overall sample.

4.3.2. Nationality distribution

In the sample were citizens from 6 different countries: Russia, Uk, Armenia, Georgia, Cyprus and Germany. Detailed results of their country of origin are described below:

Figure 4.3. 2: Nationalities that filled in the questionnaire



As Figure 4.3.2. shows, 46 (60 %) are from Russia, 10 (13%) from UK.

There were 7 buyers from Cyprus and 4 (5%) from Armenia.

Georgian buyers were 3 (4%) and German 3 (4%) and Ukrainian buyers 2 (2%).

As for Botswana, Lithuania, Kenya and India, just 1 responded (1%) from each country.

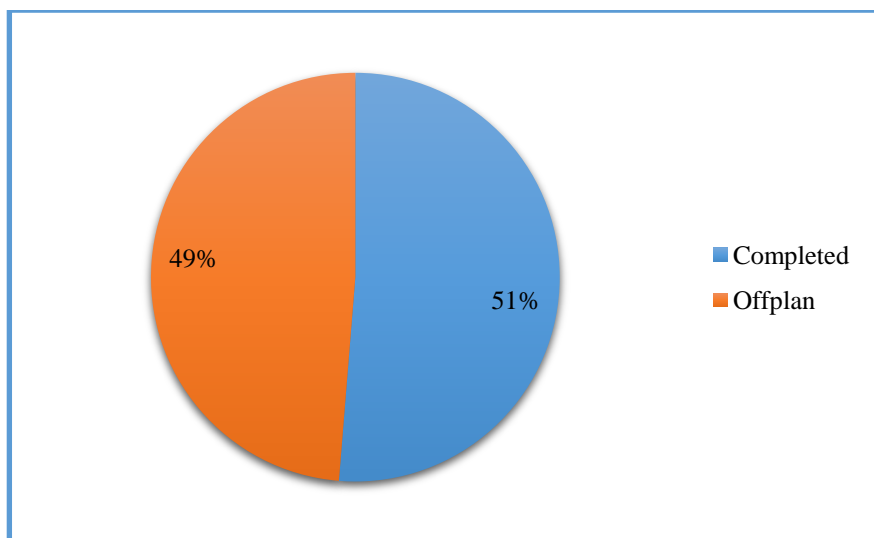
Therefore, this search reveals that a big part of buyers who chose to live in Paphos are Russian.

4.3. 3 Current Clients who bought Completed and Off Plan property

Figure 4.3.3 shows the ratio of current and prospective clients who participated in this study.

Therefore, current clients are 73 (90%) and prospective clients are 8 (10%).

Figure: 4.3.3 Current Clients who bought Completed and Off Plan property



The results of the first research question are shown in Figure 4.3.3

The question asked was: “Which property do you prefer to buy?”

44 (51%) of responded the Completed Property and 33 (49%) the off-plan property.

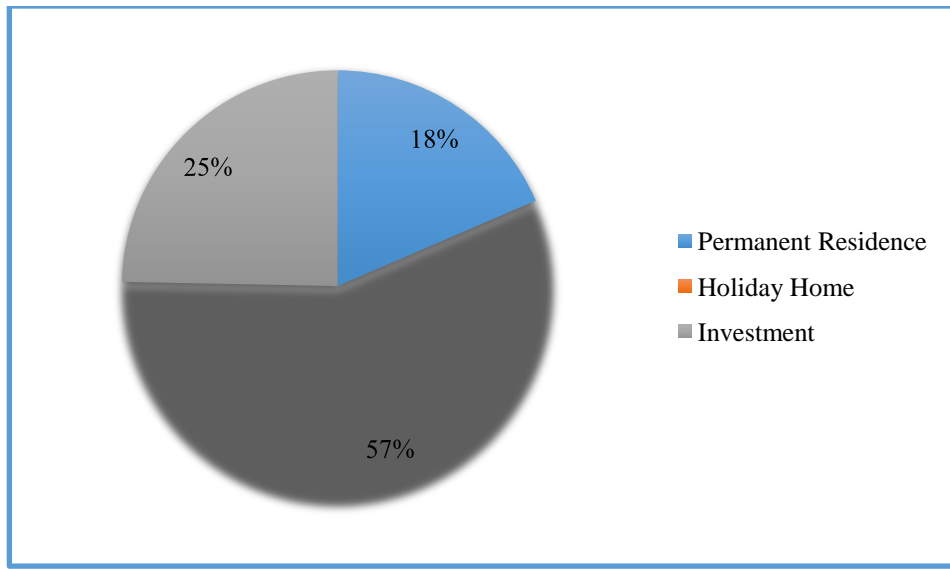
However, it is important to analyze the percentage of current and prospective clients choosing completed or off-plan property, because it will help us identify further the needs prospective clients may have. This can be done through stratified random sampling. According to Lind, Marchal (2002) “ stratified random sample is when a population is divided into subgroups, called strata, and a sample is selected from each stratum”.

Moreover, this question got some usefull additional comments from the respondents. Somebody stated that he bought an off-plan property because he wanted to alter the architectural and interior design. Two other buyers replied that on influencial factor was that the Selling Company was a family business, which gave them confidence that the confidence that were dealing with honest people. On the other hand, others replies will never buy again off-plan property.

4.3.4 Reasons for Buying

In Figure 4.3.4 are shown the reasons for buying a property in Cyprus.

Figure 4.3.4: Reasons for Buying



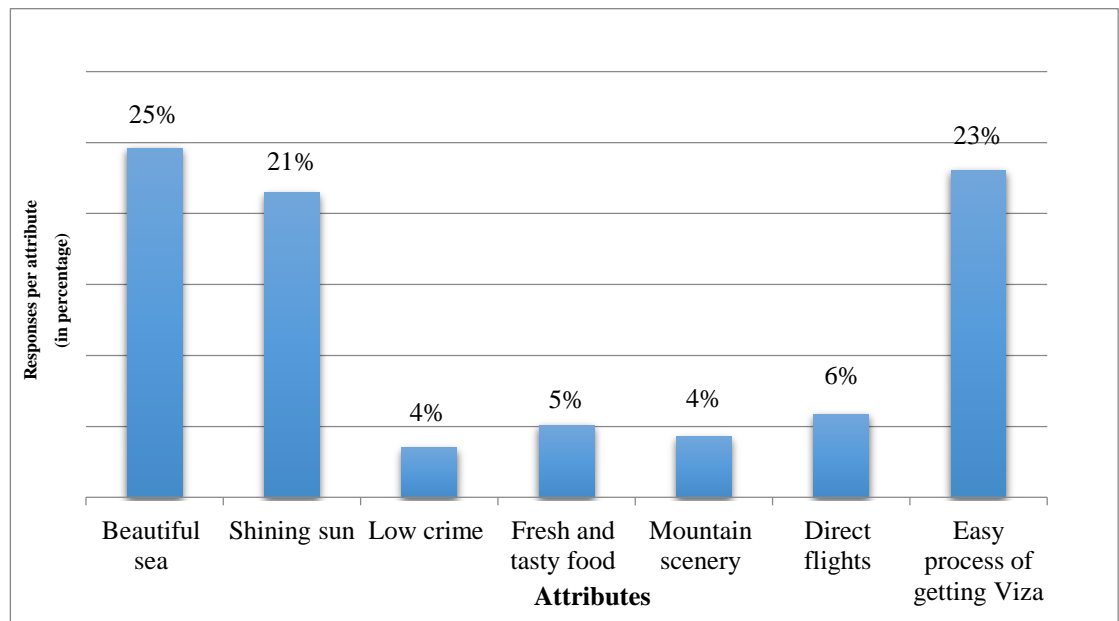
As we can see the 46 (57%) of the answers was permanent residence, the 15 (18%) of the respondents prefer holiday home and the remaining 20 (25%) replies that they purchased the property for an investment.

4.3.5 Attributes that help select Cyprus for Holiday or Investment

Figure 4.3.5 shows the attributes which made current and prospective home buyers move to Cyprus. Therefore, from the eight qualitative variables the attribute that scored the highest was the beautiful sea rate and the lowest crime.

Developers and agents is that, they should not advertise the lowest crime as they do, but concentrate on the higher attributes shown in the chart, which can give a better overall advantage from EU and not EU countries.

Figure 4.3.5: Attributes that help select Cyprus for Holiday or Investment



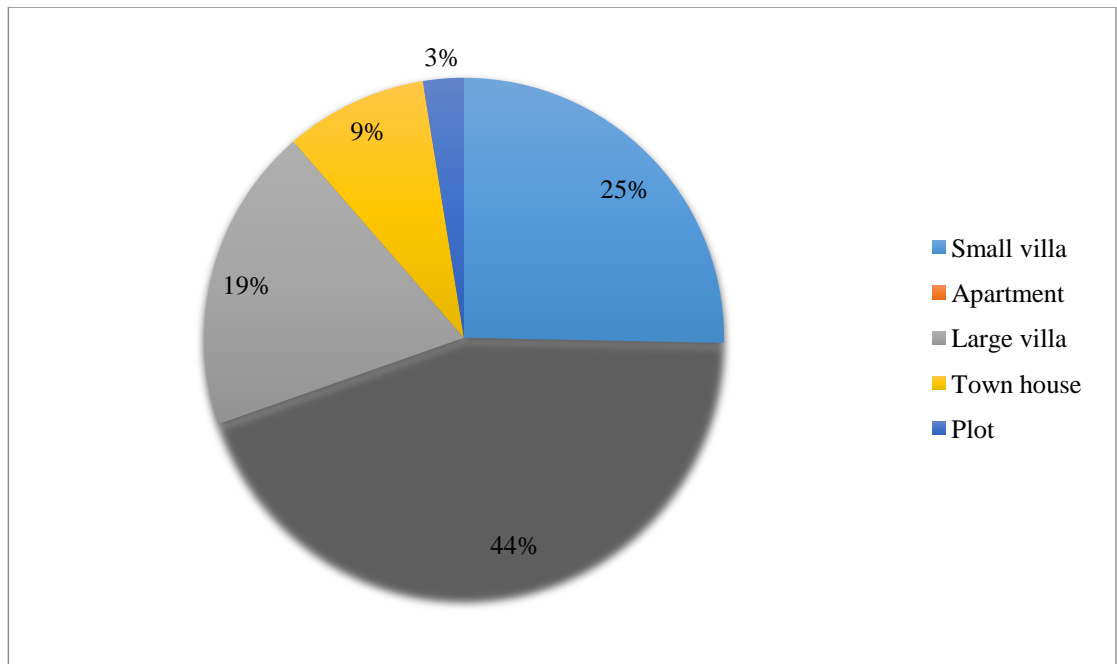
There were about 10 comments from respondents regarding crime in Cyprus. Some of those had been robbed more than once; others mentioned neighbours who suffered losses after a robbery. This indicates that the crime rate figures in biased downwards.

4. 3.6. Property distribution

The question in Figure 4.3.6 regarding the preference on property type was addressed to both groups of clients (current and prospective). This is done to see what the current interest in purchasing property is during an economic crisis period. The lifestyle of the clients is also considered. Results were surprising, as apartments scored higher than all other properties (44%). Prevailing category of buyers is the up middle class as the next high rate of 25% is the purchase of small villas.

Large villas had a 19 % rate while town houses only 9%.

Figure 4.3.6: Property distribution



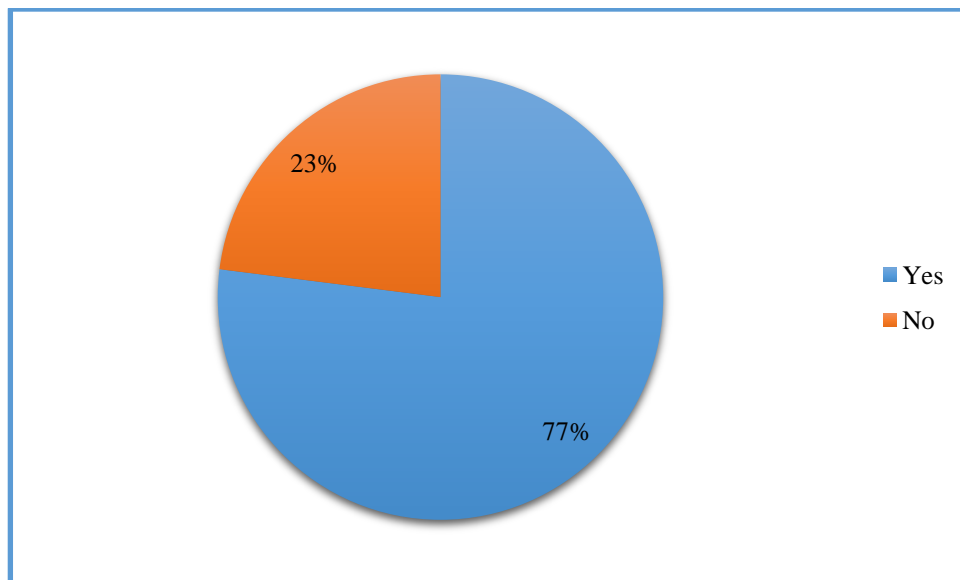
What is interesting is that only a small fraction of people (3%) prefer at this time to purchase a plot. Property developers will profit if they identify the lifestyle trends and design properties accordingly. Additionally, real estate agents will work more efficiently and effectively if they only show houses appropriate to the potential buyer's lifestyle as it was revealed from this research question.

4.3.7. Rental distribution

In the next question the sample persons were asked if they would rent property while they search to buy.

69 persons responded. The results are shown below Figure 4.3.7

Figure 4.3.7: Rental distribution

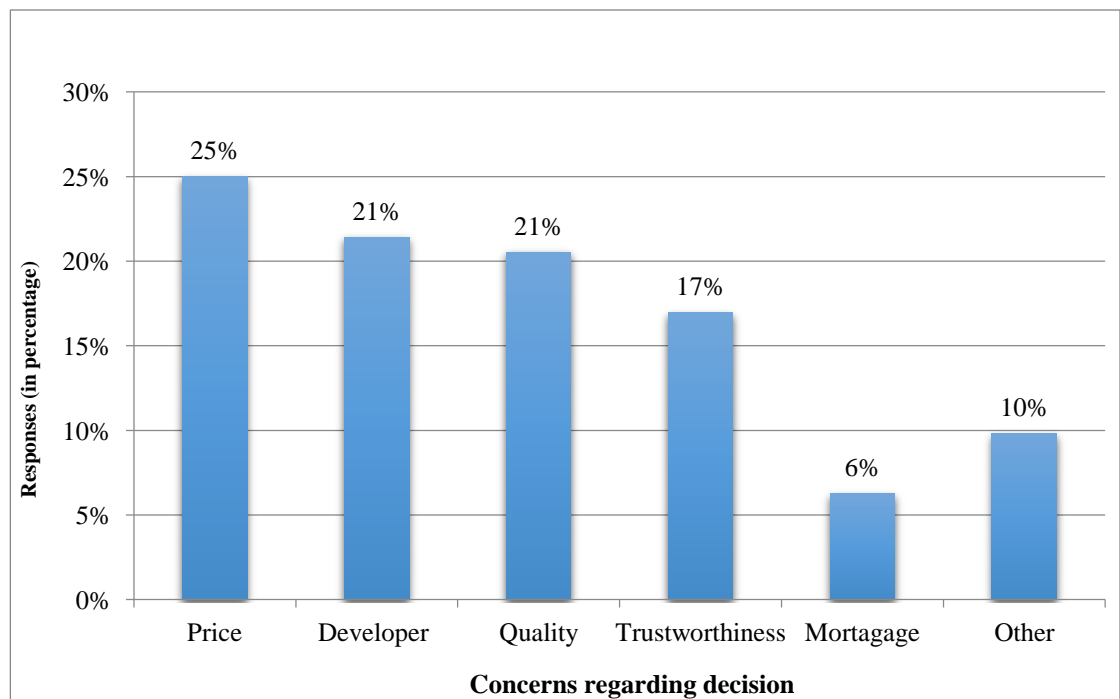


The results show that (77%) would prefer to rent at this point in time and only (23%) of the majority will not rent. However, those who wanted to rent, revealed their investment attitude. This shows that the investment target market responses in Figure 4.7 are potential customers who may purchase a property for rental income.

4. 3.8. Factors influencing the consumer buying behaviour

When prospective and current clients from our sample were asked, what their concerns were regarding the decision to buy now, the majority of both groups answered that price was their biggest concern (25%). This implies that their main concern is still price, even if the prices now have decreased up to 30%, it is still a concern for clients. Perhaps this is one of the factors that most prospective clients have been looking to buy in cheaper countries. (Loizou cited in Xaridi 2009).

Figure 4.3.8: Factors influencing the consumer buying behaviour

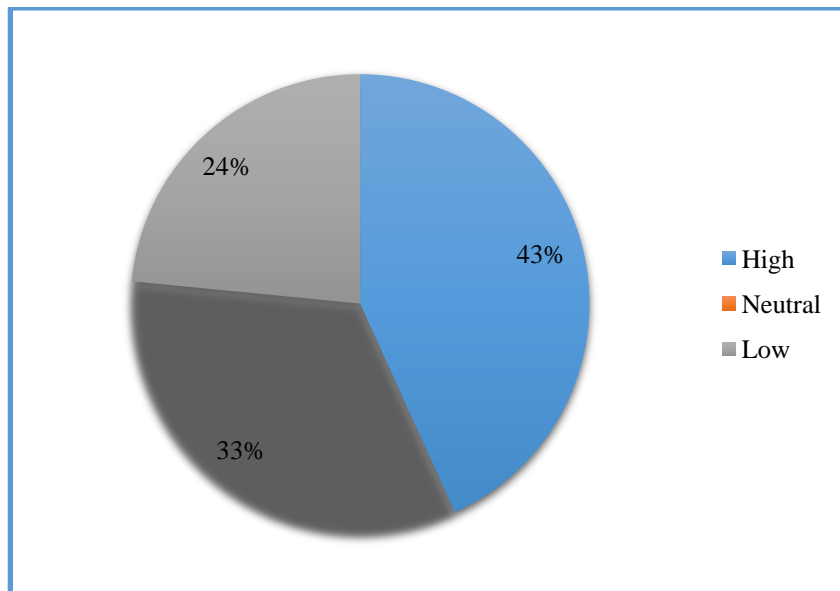


However, some respondents added an additional comments on this question. The majority of current clients mention the current legal situation on the delay issuing title deeds. Few respondents noted area facilities, quiet village environment, poor after sale service and high quality. Those extra concerns are useful for property developers to take into consideration when planning to buy land for future projects.

4.3.9. Price Distribution

Analysing the next question, we get an idea of the respondent's opinion on today's price rate for properties. The results are shown below on Figure 4.3.9.

Figure 4.3.9: Price Distribution



Results show that home buyers still believe that prices are high (43%). However, a few others (33%) believe that prices now are neutral. A small percentage (24%) answered that the prices are low. Finally, the results once more support the fact that prices are still too high in Cyprus.

4.4 PART II

4.4.1 Factors influencing decision to buy a property

Table 4.4.1 (part II) shows certain attributes that can affect current clients as well as prospective ones when buying. Moreover, it shows the overall percentage score, through the respondents' response. The highest rate from factors that are very important for buyers was given to price and interior design. Therefore, the property developer needs to give emphasis on the interior design of a house. Giving to the aspired property a feeling sense of comfortable dwelling will persuade clients to buy more easily.

Table 4.4.1: Factors that affect client decision

| Characteristic | least Important | Important | Very Important |
|--------------------------|-----------------|-----------|----------------|
| View to the sea | 34% | 22% | 43% |
| Location | 17% | 33% | 50% |
| After sales service | 49% | 30% | 22% |
| Brand name | 21% | 35% | 44% |
| Price | 4% | 22% | 74% |
| Facilities nearby | 10% | 37% | 53% |
| Quiet area | 22% | 34% | 44% |
| Interior design of house | 18% | 49% | 33% |
| Exterior design of house | 19% | 34% | 47% |
| Transportation amenities | 27% | 35% | 38% |
| Homogeneity of residence | 23% | 37% | 40% |

Results given in Table 4.4.1 are as follow: very important were price (74%) and facilities (53%). Important are: Interior design (49%) and hhomogeneity of residence (37%). Russian recipients complained about the kitchen layout, since these are very small and not secluded; this was not what this group of potential customers expected.

Least important of all are: the brand name (21%) and the after sales service (49%).

4.4.2. Rate of satisfaction as to the Developer Company and its property

Table 4.4.2 illustrates the satisfaction.

How did clients who bought property in Cyprus rate the developers' companies?

The highest attribute represents the most dissatisfied: professionalism 9%, quality of property 9% and sound thermal insulation 37%. That proves i.e. that developers should improve their sound and heat insulation. Also, they could use better quality building materials. Most of all, they are expected to act and deal as professionals and according to the clients' expectations.

Table 4.4.2: Rate of satisfaction as to the Developer Company and Property

| Characteristics | dissatisfied | d | Neutral | Satisfied | satisfied |
|-------------------------------------|--------------|-----|---------|-----------|-----------|
| Professionalism | 9% | 24% | 22% | 28% | 16% |
| Quality of property | 9% | 24% | 24% | 34% | 18% |
| Warranty | 8% | 17% | 36% | 28% | 11% |
| Architectural design of your house | 0% | 16% | 18% | 51% | 14% |
| House size | 0% | 14% | 16% | 34% | 19% |
| Thermal and sound insulation | 37% | 29% | 7% | 25% | 9% |
| Price per square meter | 3% | 1% | 28% | 41% | 22% |
| Product specifications | 7% | 13% | 21% | 35% | 10% |
| Garden | 0% | 5% | 20% | 41% | 24% |
| Understanding customer needs | 6% | 19% | 38% | 23% | 13% |
| Social events organize by developer | 7% | 20% | 38% | 24% | 18% |

Existing clients comments were helpful as to what is rightfully expected from the
55

Developers: “We bought this property 12 years ago and we still have not received our title deeds. So we will not trust any more this developer company”.

“The sound insulation is terrible! It is so noisy during the day as well as night time, that you cannot have any privacy, not to speak about relaxing”.

“After the rain our balcony floods and water does not flow through the drain pipes properly; every time we come on holiday, bad smells (humidity) emanate and the walls are covered in mildew; it is very cold in winter time even though one bedroom and hall are on the sunny side, the walls are not appropriately insulated unfortunately”.

We received a positive feedback regarding these factors.

Dissatisfied were 29% of clients having problems with heat and sound insulation.

24% said the companies did not act and deal as professionals and according to their expectations as to the quality of property.

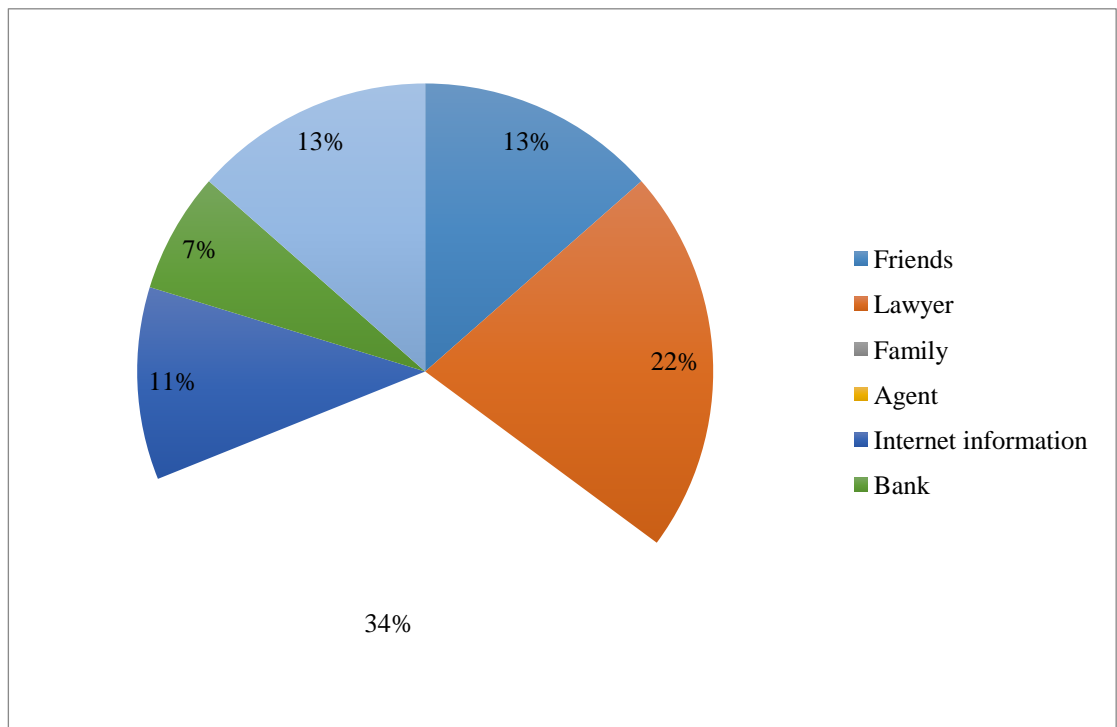
Comments on property and construction quality were the following: “We had burst pipes at our house, because of bad quality pipes installation. These damages cost us dearly; sorry to say, the developer did not reimburse us - even for part of it, - so, how I can be satisfied with the warranty?”; “We bought the new property that was finished 2 years ago. The electrical appliances, switches, sockets, kitchen set etc., were scanty and basic, leaving us disappointed. The price we paid for this property did not meet our expectations”.

4.5 PART III

4.5.1 Ways of hearing about developer or property

Figure 4.5.1 (part III) shows how clients became aware of the developer/property company. The highest rate: 34% through a website. Newspapers and radio, magazines and signs on the road were scored the lowest. Therefore, developers should use part of their marketing strategies to advertise more in those areas and of course in targeted countries.

Figure 4.5.1. Ways of hearing about developer or property



Russian recipients gave a positive feedback: the given information in the website was written in their language, making it easier for them to choose the right property.

4.5.2. Recommendations of the Property Developer

On a total number of 77 current clients - on the question of recommendations given to friends or relatives about the property developer - 69 respondents (95 %) replied.

The results are below on Figure 4.5.2

Figure 4.5.2: Recommendations of the Property Developer

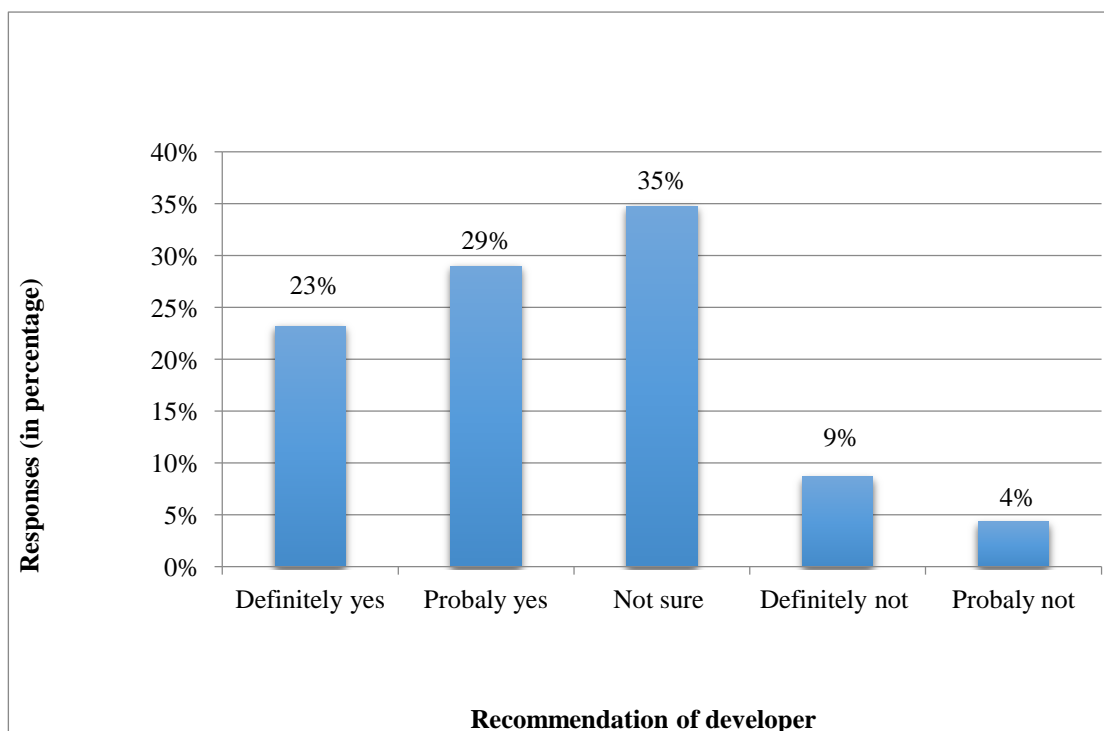


Figure 4.5.2. show the following results: 35% of the current clients were not sure if

they would recommend the developer company, 29% of them would probably recommend the developer to their friends and family, 23% : definitely yes and 4% of them stated that they would probably not and 8% definitely not.

Looking at these results, the developer should analyse and evaluate the causes that led these clients to answer negatively; then he should try to solve these problems.

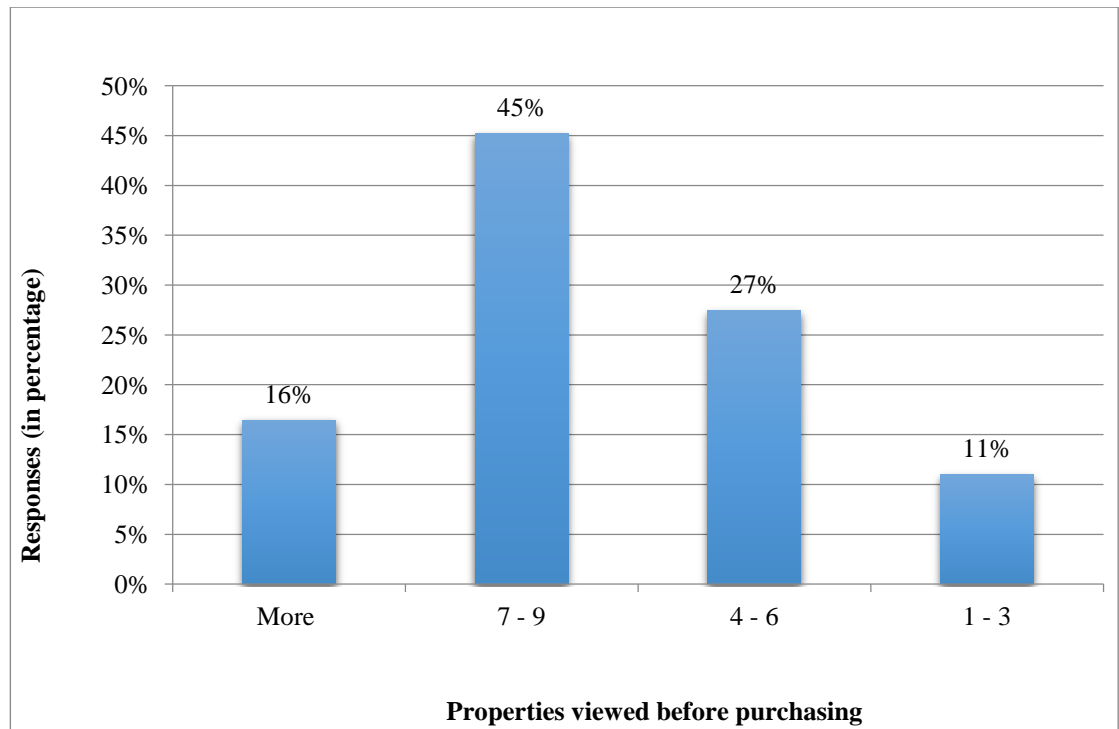
Also, as the definitely yes and probably yes percentages are relatively high. Therefore it would be good idea for the developer to use these current clients as to promote its company and its positive points.

4.5.3 Properties viewed before purchasing.

In this question respondents were asked to choose how many properties they viewed before they decided to buy one.

The given answers are shown below on Figure 4.5.3

Figure 4.5.3: Properties viewed before purchasing.



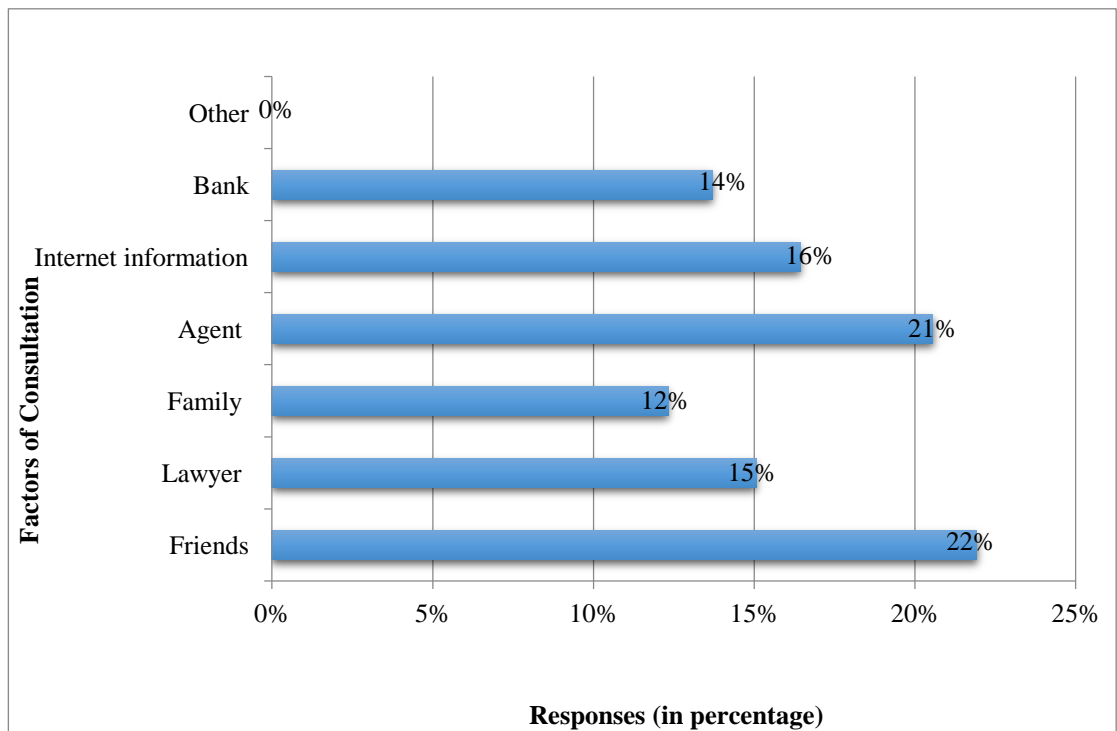
Most of the current clients as Figure 4.5.3 shows, viewed more than three properties before buying. This shows that, clients - especially at this time of financial crisis- will do through search to find the best property, one that will suit their needs at the lowest price.

Therefore, real estate agents who have more selling properties and therefore can have lower prices would sell easier at this period of time. This unfortunately does not help property developers much as they do not have the amount of properties the real estate agents have.

4.5.4 Consulting factors

On Figure 4.5.4 shown below: 22% of the current clients responded that they consulted their friends before taking such a big decision. We can conclude that, from figures 3 and 5 we could use our positive current clients to “draw in” their friends who did not buy yet.

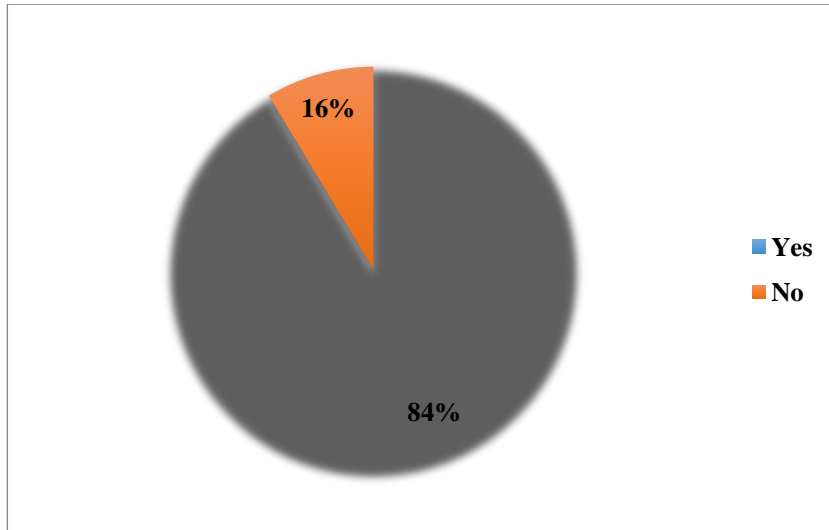
Figure 4.5.4: Consulting factors



On the other hand sales people or marketing departments “may establish a relationship with a well-connected, influential person who is willing to provide prospecting information” (Manning and Reece, 2004). This is definitely a cheap way to advertise or promote your company).

4.5.5. Client's percentage of choosing the design of the house.

Figure 4.5.5: Client's percentage of choosing the design of the house.



As shown from the results of this question, prospective and current clients would like to choose their own architectural design (84%). Hence, the developer in certain project developments could allow the clients to choose the architectural design to increase his sales.

4.6. Additional comments by respondents

Moving to the next qualitative analysis of the questionnaire, question 7, 8 and 9 (appendix 1 in part III) required written answers. In the answers, the informal interview of Mr. Hawkins was also included.

Question 7 was, for the Municipality local authority. However, 48 respondents (59%) answered by Yes or No, 30 respondents (37 %) wrote yes and 29 respondents (36%) wrote no.

Consequently, there is a big majority of people who are not satisfied with local authorities. The government and local authorities in Paphos needs to identify and solve any problems that have been occurring with clients.

Question 8 has been answered from 45 (62%) current clients. Their comments were the following: First, the happy customers mentioned once more the quality of their property and the reliability and honesty of the developer. Moreover, it shows from the respondents that family businesses attract them more. On the other hand, unhappy customers brought up two reasons that made them feel discontented. First, the after sale service and secondly, the big issue with title deeds.

Question 8 revealed that, title deed is the main concern of the current and prospective clients.

Last question number 9, got different aspects of perspectives in regard to Cyprus market in general. From an investment point of view the respondents claim that Cyprus is not any more an investment opportunity as it has flooded in unsold

properties. However, UK seems to be more attractive in investment and cheaper in way of life. Not to mention that flights to Cyprus are expensive. More over the currency in exchanging UK pound to Euro is very weak. A key point made clear is the fact Cypriot lawyers in general cannot be trusted. And finally, the issue of title deeds was once more brought about. Two of the respondents wrote: “If the title deeds issue is not available upon completion of a purchase, I think it very unlikely that the property market will recover”. Hence, foreign media and articles in the foreign and local press present Cyprus as not a good destination due to the above facts. All prospective purchasers are now aware of the problem in title deed issuing and developer mortgages, so they would never buy again. In other countries like UK and South Africa, titles are transferred to the owner at the time of payment.

In this chapter we have seen the results of the study in relation to the research questions. It is apparent from the charts presented, along with the additional comments by respondents and comments by Mr. Hawkins, that the results of this study reveal interesting findings.

In the lines that follow, a presentation of summarized conclusions will be made along with implications for useful seminars and presentations and suggestions for further research and interventions.

CHAPTER 5

CONCLUSION AND RECOMMENDATION

This study has revealed that second holiday home destinations like Cyprus must be able to satisfy customers on many levels: weather, ambiance, infrastructure, views, sport, history and nature are all essential elements within the buying decision.

Good climate conditions, beautiful sea and low crime are the characteristics that made Cyprus challenge over other destinations. However all this can be reinforced by designing appropriate products to the targeted groups identified in this study and attract them with right marketing strategies.

This study has revealed that, there are basic factors that influence customers in selecting a property. The ten key influential factors that can affect customer buying behaviour in Cyprus are: low crime compared to other EU and not EU countries, price, developer reputation and quality, quiet area, title deeds, internal and external design of the house along with view to the sea, web sites are important to capture customers' attention, friends and family are the No. 1 factor that can influence property buyers, presenting more than three properties and family businesses seems to attract new clients.

Our findings show that the majority of the current clients inspect more than three properties until they buy. This finding agrees with Gibler and Nelson findings that inexperienced buyers like to search more for information, see open houses and inspect more properties before they make a final decision. (Punj and Staelin 1983; Beatty and Smith 1987 cited in Gibler & Nelson (2003). On the other hand, educated Consumers usually “search more, because of greater confidence in their ability to undertake the search and use the information gathered effectively” (Hempel 1996 in Gibler & Nelson 2003, p.66). This shows again that my findings agree with the interpretation found in literature.

According to the findings of this study, the most important factor that influences decision to buy is the external design. This again agrees with the finding of Gibler and Nelson who found that if people stay impressed by the external design of a house, it could make them move to look at it. However, in the particular research question, there were two more factors scored high in influencing decision to buy. Those factors are internal design of house and quiet area (table 4.4.1 part II). However, according to Cooper 1974; Hayward 1977 cited in Gibler & Nelson (2003, p.73) they found that a house is evaluated not only for physical but also for social and psychological characteristics. This can be supported by this study through question in figure 4.4.1 (part II) which asks for after sales service and homogeneity of residence. All three answers got more than 50% percentage of votes.

The study by Gibler and Nelson (2003) found that clients prefer to design their house according to their lifestyle preferences and that manufacturers have little knowledge of their interests. These findings agree with the conclusions in this study. The

question in figure 4.3.6 (part I), prove that clients vote for an apartments instead of choosing other options. In figure 4.5.5 - (part III) - , 84 % of them selected yes as for choosing the architectural design of the house.

According to the literature, some major criteria that play a vital role for the prospective client is the environment of the house: such as quality, warranty, isolation, price per square meter. Therefore, in this study there are differences in the rank order of those sources of context of the house. However house size, its ground plan and location are not a decisive criterion as defined by the buyer in the Gibler and Nelson work. Therefore this study disagrees with that because as it shows in table 4.4.1 and 4.4.2 1 (part II) house size and location scored high, but the highest one that was detected is the price. This means that, price is an important factor in the decision to purchase.

The two most prominent sources of reference in decision making of a buyer are firstly the web site and the word of mouth as figure 4.5.1 (part III) shows. Compared with Herr, Kardes and Kim, 1991 cited in Giblet & Nelson (2003, pp.75-76,) personal word of mouth is the first factor - in their study - which can influence behaviour more than advertising and other marketer dominated sources. This is important but we have to keep in mind that signs on the road are extremely important to transfer messages.

The study by Gibler and Nelson (2003) suggest to real estate agents to identify reference groups such as bankers, brokers for testimonials. The question in figure 5

(part c) in this study shows that friends are the most important group for references. Second, comes family, and the third influential factor is the Lawyer. Moreover, according to the question in figure 3 (part c) a high percentage of people responses, (in answers, definitely yes and probably yes) would recommend the developer to a friend or relative. Furthermore, this shows that most of the clients are satisfied with the purchase they did.

The findings of this study could be utilised by all those involved in the real estate market.

In particular, real estate agents and property developers could get better insight into the notion of customer buying behaviour and might attempt to reconsider personal ways to deal with buying behaviour. Based on the finding of this study, they could design more effective marketing strategies and develop training seminars for their sales force. Since the real estate industry is vital for the Cyprus economy, the Chamber of Commerce and Industry could utilise the information presented in this study to run customer behaviour programs integrated in pre-service and in-service. As a result from this customer buying behaviour analysis, it was clear that clients demand action to be taken by governmental organisations regarding new legislation for title deeds and infrastructure issues of sustainable urban development.

Admittedly, there are limitations in this study that may restrict unequivocal generalization regarding its findings. A first limitation is the small geographical area

from which the sample was drawn. A wider area with more participants from different countries could have increased the depressed overview. Second, this study was administered at a period of economic crisis in the market with high intense and problems.

Despite the above limitations, the study provides a good indication of the situation regarding customer buying behaviour in an economic crisis.

The issue of customer buying behaviour in Cyprus could not, as it is reasonable, have been covered in depth by this small-scale-research. The effort can only be interpreted as a springboard for more sound, valid and reliable research in this neglected area.

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APPENDICES

Appendix 1

PART I (A)

Where are you from? _____

Are you a Male _____ Female _____

1. I am filling out this Questionnaire as a:

1.1. Current Client

1.2. Prospective Client

2. At which stage did you, or would you prefer to buy a property?

2.1. Off Plan

2.2. Completed

3. Reason for buying:

3.1. Permanent Residence

3.2. Holiday Home

3.3. Investment

Additional Comments for all the above:

Please tick (√) the appropriate boxes:

4 A. Which of the following attributes made you or will make you move to Cyprus?

4.1. Shining sun

4.2. Beautiful sea

4.3. Mountain scenery

4.4. Fresh and tasty food

4.5. Friendly English-speaking people

4.6. Low crime

4.7. Direct flights

4.8. Similar legal system

4.9. Easy process of getting VISA and PR

4 B. What factors make you NOT move to Cyprus

Banking system

Legal system

Government policies

Other

.....
.....

5. If you buy a property now, you may buy:

5.1. An Apartment

5.2. A Town house

5.3. A Small villa

5.4. A Large villa

5.5. A Plot

6. If you looking for a property now, you may rent:

6.1. yes

6.2. no

Why?

7. What are some of your concerns regarding the decision to buy?

7.1. Mortgage

7.2. Developer reputation

7.3. Quality

7.4. Trustworthiness

7.5. Price

Banking system

7.6. Other:

8. Do you think that the prices for buying a property now are?

8.1. High

8.2. Neutral

8.3. Low

PART II (B)

1. How important are/were the following with regard to your decision to buy a property?

Please rate with a tick (✓):

| | 1 | 2 | 3 |
|---|---|---|---|
| 1.1 Location | | | |
| 1.2. View to the sea | | | |
| 1.3. After sales service | | | |
| 1.4. Price | | | |
| 1.5. Facilities near to you | | | |
| 1.6. Quiet area | | | |
| 1.7. External design of house | | | |
| 1.8. Internal design of house | | | |
| 1.9. Transportation amenities | | | |
| 1.10. Homogeneity of residence | | | |
| 1.11. Property management | | | |
| <p><u>Note:</u> 1 means least important</p> <p style="padding-left: 40px;">2 means Important</p> <p style="padding-left: 40px;">3 means Very important</p> <p><i>Additional comments for all the above:</i></p> | | | |

2. How would you rate your satisfaction with regard to the developer company and the property itself?

Please rate with a tick (✓):

| Rate questions on a scale of 1 to 5 | Very dissatisfied | Dissatisfied | Neutral | Satisfied | Very satisfied |
|-------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 1 | 2 | 3 | 4 | 5 |
| 2.1. Professionalism | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

| | | | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 2.2. Quality of property | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2.3. Warranty | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2.4. Architectural design of your house | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2.5. House size | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2.6. Thermal and sound insulation | | | | | |
| Central heating/floor heating | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Privacy | | | | | |
| 2.7. Price per square meter | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2.8. Product specifications | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2.9. Garden | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2.10. Understanding customer needs | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2.11. Social events organize by developer | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

3. Additional Comments for all the above:

PART III (C):

Please answer the following with a tick (√). You can tick more than one.

1. How did you first hear about the developer or property?

1.1. Word of mouth

1.2. Their website

1.3. Radio

1.4. Agent magazine

1.5. Newspaper

1.6. Signs on road

1.7. Other _____

2. Overall, how satisfied are you with the property you bought?

2.1. Very satisfied

2.2. Satisfied

2.3. Neutral

2.4. Dissatisfied

2.5. Very dissatisfied

3. Based on your experience would you recommend the developer to a friend, relative?

3.1. Definitely yes

3.2. Probably yes

3.3. Not sure

3.4. Probably not

3.5. Definitely not

4. How many alternative properties did you view before you decided to buy?

4.1. 1-3

4.2. 4-6

4.3. 7-9

4.4. More

5. Who did you consult before purchasing?

5.1. Agent

5.2. Family

5.3. Friends

5.4. Internet information

5.5. Lawyer

5.6. Bank

5.7. Other: _____

—

6. Would you prefer to choose the architectural design?

6.1. Yes

6.2. No

7. Are the local authorities helpful to you?

8. What do you like best about the Property Developer you bought from?

9. *Any general comments you may like to state regarding the property market in Cyprus?*

Thank you for your participation!

We appreciate your feedback!

Appendix 2

INTERVIEW QUESTIONS TO J. ARISTODEMOU

What do you think about the economic crisis?

How long you think this will continue?

What are the effects in your business?

Are you building according to your customers preferences? If yes, what techniques you do to identify customer needs?

What criteria you believe customers consider in buying a house?

What are the preferences of customers now in the crisis and what were they before?

What are the major problems you face now with customers?

What changes do you believe you need to do in the company –marketing department and construction in order to attract more clients?

According to the buildings you manufacture, how do you know if customers are satisfied?

What are your promotional techniques for your product? Do you use marketing mix?
(Product, price, place, promotion)

How much did the sales decrease till now and do you think that this downturn will continue?

Thank you for your collaboration!

Appendix 3

Answers from interviewee Mr. John Aristodemou.

Economic crisis occurred because of:

Loans were given easily; (this means an increase of interest in products and also an increase in prices).

Loans did not fulfil the conditions or the ability of the borrower to repay.

No abnormal price increase with subsequent increase in the cost of products.

Partial corruption, in regards to money management by foreign banks

The financial crisis will continue to happen in the market unless some of the following modifications take place:

2.1. First of all, businesses will have to adapt to the new market data, that is why it is important for them to reduce their administrative costs, increase productivity, quality and offer the best price with good service to customers in order to attract them.

2.2. An improvement in the market will take some time. The time adjustment and

recovery cannot easily be determined because all parties must contribute to its recovery. The parties involved are: the Private Sector, Social Partners and the government.

2.3. The signs of recovery will be evident when:

- a) Debt repayment is made.
- b) A reduction in unemployment is achieved.
- c) Following that the above products are sold without problems.

Like all businesses, our Group of Companies has also been affected within the following areas:

3.1. The decrease in demand and thus the reduction in sales with all its consequences.

It is necessary for all companies to synchronize the production of their products according to customer needs and it is also necessary to categorize the features according to each product. It is a good opportunity, for a company to be able create challenges in the highest income bracket with new luxury products. At the same time for consumer products there should be a change in the presentation and/or improvement in the quality.

The criteria for each consumer regarding any product are:

5.1 Quality

5.2 Price

5.3 Facilitating the payback time

5.4 After sales

5.5 Products that meet and satisfy the investment interest, such as immobile property etc.

The customer at the time of an economic crisis has the following characteristics:

6.1 He does not purchase luxury goods as easily

6.2 Searches for opportunities and watches the market for the product he/she desires to be in an attractive price range so as to avoid having capital loss.

6.3 The customer has a reduced interest in the market of luxury products or for products of secondary importance.

The consumer has the following attitude towards his obligations:

7.1. The consumer has trouble to repay his obligations.

7.2. The consumer becomes more fastidious and demanding.

The strategy to be followed by a Business at the time of an economic crisis is equivalent to the percentage of the reduction in demand; of the product it produces.

In the case of land development companies, the decline in interest varies by district, but has reached up to a 70% reduction in interest, and therefore the following actions are advised:

- a) Decrease in inventories (Stocks)
- b) Reduce administrative costs.
- c) Increase the quality and service
- d) Reduce the prices
- e) Increase overall productivity and reduce the construction costs (where possible).

Customer satisfaction will be synchronized by the following:

- a) If there is no loss of the product in the market.
- b) If there is an after sales service.
- c) If the vendor meets all its obligations.

It is extremely important how products for sale are promoted and below are the basics.

- a) The human factor as the vendor (with professionalism, and with his/her personality).
 - b) The method of advertising and the size thereof.
 - c) The result in those advertised.
 - d) The response of the sales department in regards to information, meeting tour clients who are interested in information and the continuous level of communication and information to that person.
 - e) The comfort, personality, the truthful cordial meeting with clients and
- 90

professionalism during the hours of meetings with the client.

Sales have fallen to a 95% based on the values of 2008 and there was a dramatic decrease in the value of property regarding apartments around 30%, in homes there was a decrease of around 25% and in plots a decrease of around 17%. This indicates that the real estate prices had risen over time with all the consequences.

Appendix 4

Question 1

If you have bought a property in Cyprus and DO NOT have its Title Deed, how long ago did you take delivery of the property?

Less than a year ago (88 Votes - 6%)

1 - 3 years ago (445 Votes - 33%)

3 - 5 years ago (463 Votes - 34%)

5 - 10 years ago (231 Votes - 17%)

10 - 20 years ago (80 Votes - 6%)

More than 20 years ago (62 Votes - 4%)

Start Date: August 1, 2013 @ 12:00 am - End Date: November 13, 2013 @ 12:00 pm

Question 2

If you have bought a property in Cyprus do you have its Title Deed?

Yes (98 Votes - 17%)

No (467 Votes - 83%)

Start Date: June 30, 2013 @ 1:00 am - End Date: July 31, 2013 @ 11:59 pm

Question 3

Are you planning to buy property in Cyprus this year?

Yes - I plan to buy as an investment (14 Votes - 3%)

Yes - I plan to buy a holiday home (17 Votes - 4%)

Yes - I plan to buy a permanent home (26 Votes - 6%)

No - I have no plans to buy property in Cyprus (23 Votes - 6%)

No - I was planning to buy a property, but not now (198 Votes - 48%)

No - I already have a property (151 Votes - 33%)

Start Date: June 1, 2013 @ 3:43 pm - End Date: July 1, 2013 @ 11:59 pm

Question 4

By how much will Cyprus property prices change this year?

Prices will not change (45 Votes - 11%)

Go up by 5% (25 Votes - 6%)

Go up 5% - 10% (10 Votes - 2%)

Go up by more than 10% (10 Votes - 2%)

Come down by 5% (38 Votes - 9%)

Come down 5% - 10% (76 Votes - 18%)

Come down by more than 10% (225 Votes - 52%)

Start Date: May 2, 2013 @ 10:29 am - End Date: June 1, 2013 @ 3:01 pm

Question 5

When do you believe the Cyprus property market will recover?

Later this year (39 Votes - 7%)

2010 (72 Votes - 13%)

2011 (115 Votes - 20%)

2012 or later (348 Votes - 60%)

Question 6

Will the Cyprus Government resolve the 'Title Deeds-cum-fraud' mess?

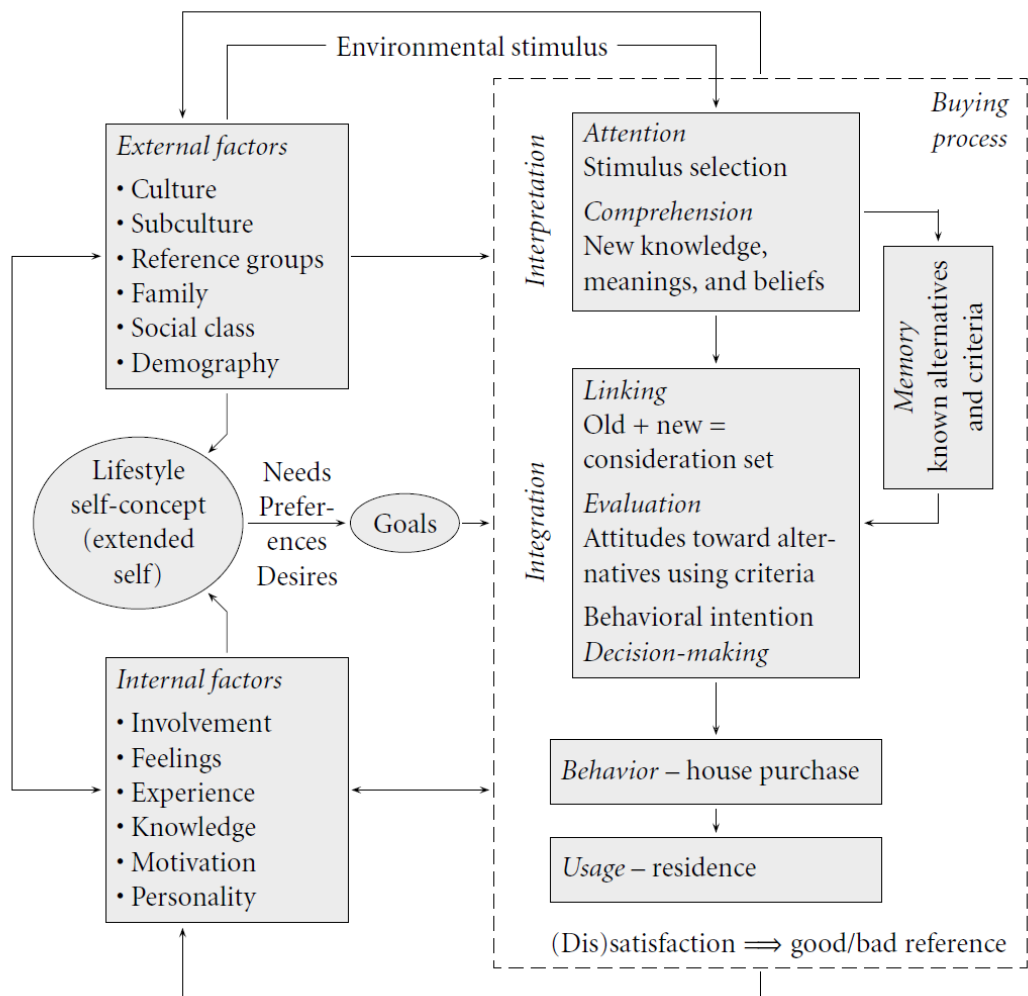
Yes (176 Votes - 27%)

No (300 Votes - 46%)

Maybe (189 Votes - 27%)

Start Date: September 1, 2013 @ 12:00 am - End Date: October 28, 2013 @ 11:59 pm

Appendix 5



A conceptual model of the buying process

