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REAL ESTATE SHOPFRONT OFFICES IN THE AGE OF TECHNOLOGY

A dissertation
submitted in partial fulfilment
of the requirements of the Degree of
Master of Property Studies
at
Lincoln University

by
Darrell G. Nolan

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Executive Summary

The residential real estate industry has experienced many changes in the last few decades particularly in the adoption of technology made available by the Internet and World Wide Web. Today a real estate salesperson equipped with a portable electronic device with internet access can work entirely remotely from any base. Every bit of filed information that the salesperson may need to call on to list, market and sell a property is able to be sourced and/or distributed electronically. The Internet, of course, is available to all and so is most of the information the salesperson garners, so it relies on the consummate skill, promotion and professionalism of the real estate agent or salesperson to maintain the acknowledged position of intermediary in the real estate transaction.

This dissertation explores a different phenomenon within this same scenario. When an industry or activity develops and prospers from changes or advancements in procedure, it generally abandons processes, practices or equipment made superfluous. It is patently not profitable or sensible to proceed in any other way. Retail businesses have shops to display their wares and attract shoppers to purchase. Retailers have not had a very good time with the global tightening of credit and the onset of Internet purchasing. I feel certain that many would dearly like to forsake their shop leases if a cheaper means of sale and distribution was available to them and many are availing themselves of on-line shopping.

The phenomenon I allude to is that real estate agencies still present themselves in ground floor shop front offices, which are shown in this research to play such a scant part in the real estate transaction that it is hard to comprehend why the industry still clings to this manner of accommodating itself. Further examination of the real estate process shows that, not only do salespeople work independent of the office, the public with on-line access to listing information similarly conduct their part of the business remote from a real estate office.
This dissertation asserts that ground floor shop front sites command a far greater rent than normal office space. Real estate offices adorning their street front windows with photographs of property for sale is a throwback to a bygone era, certainly prior to the advent of the Internet. From a purely economic viewpoint it seems fundamental to consider accommodation different to a ground floor shop premises. Moreover, if fulltime use is not made of the space it seems more sensible to desk share or ultimately mutate into a virtual office with no need of a physical business address.

There exists a certain entrenchment in the industry, dictated by the franchisor and licencee masters of these large collectives that prescribe the style, look and livery of the premises to be occupied under each brand. The presentation of premises is at the behest of these governing bodies, but at the cost of the individual business owner. There are many visible independent real estate businesses who also doggedly follow this format of shop front premises.

I suspect it will take a more than significant mindset change to move away from this over costly, under utilised resource.

The day must come when the real estate business appreciates that it is fundamentally already totally virtual and could eliminate considerable unnecessary overhead premises costs. The residential real estate office, as it presents itself, is a contradiction of function and purpose to the actual modern day activity of the industry.
1.0 Introduction

1.1 General Introduction

This study is centred on the manner in which real estate agencies address their own real estate asset management and considers whether they as an industry are being left behind somewhat, in an area they should be thought to be leading. Whilst this study will largely concentrate on real estate industry in Greater Auckland, the practices are repeated throughout the country and thus the findings will be representative of all regions of New Zealand.

Real Estate Agency businesses in Auckland fall into the following categories:

1. Small independent singular offices
2. Semi-independents operating under a cooperative banner e.g. First National
3. Singular or multiple offices operating under a franchise e.g. Harcourts
4. Large family owned multiple branch office operations e.g. Barfoot & Thompson

Almost without exception these agencies have their premises in ground floor shop front sites. The windows of these are generally festooned with photographs of properties for sale, as if inviting the passerby to stop and select a property that might suit their needs.
This method of presentation seems to hark back to a bygone era. Granted the agencies use modern methods of marketing, such as the Internet and creative signage on properties they are selling, but this rather begs the question of why they occupy street level frontage offices, as if to capture passing pedestrians, whom this study will demonstrate are shopping in the malls anyway. Moreover, why do they need the expanse and position of the offices they occupy?

The rental cost, or proprietary cost of occupancy of ground floor shop front is considerably greater than an upper level of the same building or of a building in the same area.

1.2 Aims and Objectives

The aims and objectives of this dissertation is to illustrate how real estate practitioners have embraced Internet usage for all aspects in the conduct of listing and selling residential real estate, but continue to occupy the equivalent of a commercial retail shop, usually in a strip shopping block.

The study will try to demonstrate that the businesses could accommodate themselves equally well in less expensive upper floor space and further, could reduce their floor space requirements by adopting certain business practices. The ultimate view to be proffered is they could even forsake the requirement for branch office premises and operate as ‘virtual offices’.
2.0 Background Information

2.1 Introduction

No residential real estate office seems to differentiate itself from its competitors other than by displaying a different name and corporate livery. Even recent entries into the field, like Mike Pero Real Estate, which is a newly franchised group, operate from ground floor shop front offices with street-front windows festooned with photographs of houses for sale. This particular franchise is seeking to get a foothold in the market, by charging less commission for sales and advertising on television with the franchisor (Pero) fronting the advertisement. These costs are undoubtedly borne by the franchisee and yet the same franchisee is undoubtedly directed by the franchise agreement arrangements to take the more expensive option of shop front leased accommodation.

To isolate and recognise the mentality behind this choice of office accommodation it is necessary to look back at how the industry has evolved and how changes in technology have impacted on practices within the real estate industry. In the general introduction I categorised the four differing types of real estate business. In some way, for the purposes of looking at office accommodation needs, this could be narrowed down to two; those that own their offices and those that lease them. However, a further differentiation will be those who are directed by a franchise or licensing agreement to operate from a pre-ordained style of premises and those independent operators that follow the same pattern of accommodation, because it exists. Barfoot & Thompson, because of their sheer size and impact on the industry in Auckland need to be treated as a single model, as I doubt they will ever be replicated as a business model. Barfoot & Thompson operate from in excess of 60 premises which are all company owned and account for somewhere in the vicinity of 40% of real estate sales in Auckland region annually.
2.2 Historical Background

With organised Pakeha, (mainly British) settlement of New Zealand, starting in the 1840’s, came dealings with native inhabitants, Maori, involving land purchases. Government land agents were charged with the responsibility of negotiating between Maori and Pakeha. From these beginnings emerged private land agents, who could also be auctioneers, accountants, insurance agents or lawyers.

The Land Agents Act 1912 was the first law to regulate dealings in land. In 1915 regional associations of land agents banded together to form a national body, The Dominion Land Estate and Auctioneers Association. By 1923 this had been renamed the Real Estate Institute of New Zealand (REINZ) which continues today. The Land Agents Act 1912 went through a number of alterations, namely, in 1921-22 and 1953, but the first major change came as The Real Estates Agents Act 1963, introducing examinations and disciplinary procedures. The subsequent Real Estate Agents Act 1976 was, in turn, superseded by Real Estate Agents Act 2008 which now
regulates the industry. Despite being the smallest numerically of the 37 member countries of Paris based International Real Estate Federation (FIABCI), New Zealand, alone, has an Act of Parliament solely for its real estate profession. (REINZ, 2010)

2.2.1 The Agent in New Zealand

There is confusion in many circles as to who the agent actually is. Many real estate sales people are referred to as ‘real estate agents’. There is only one agent in each real estate business or company and that is the person who holds the licence under the terms of Real Estate Agents Act 2008. Others, such as sales people and branch managers, are employed or sub-contracted by the agent.

2.2.2 Agency Function in New Zealand

Real estate agents are generally engaged by and work for the party selling the property, although there is no statutory bar to an agent working on behalf of a buyer. The agent cannot act for both parties and is responsible to the party who provides the agent’s remuneration. For residential sales, agents are usually compensated by way of a commission from the seller, based on the successful sale price of the subject property, which is generally on a scale of 4% of the first $500,000 and on a reduced percentage, say 2%, of the balance of the sale price.

Many real estate agency firms have evolved from small local organisations to large national entities. Much of this is contributable to franchising bodies or cooperative licensing of branding and systems.
2.2.3 Barfoot & Thompson – the family owned model

In order to appreciate how Barfoot & Thompson has grown to be such a property owning real estate company it is helpful to examine the company founding and the mentality driving growth and acquisition. The company had its beginnings in 1924 when Valentine Barfoot purchased a land agency in Newmarket, Auckland, naming it VH Barfoot. Val was joined in 1924 by his brother Kelland and they changed the name to Barfoot Brothers. In 1929 the firm shifted to new premises in Auckland’s Queen Street on the eve of the Depression and practically limped along until after the end of the Second World War. In the interim Maurice Thompson joined the firm and took up a partnership, occasioning a name change to Barfoot Brothers & Thompson. Company Office records reveal the registration of Barfoot & Thompson Limited in November 1968.
In 1942 the Land Sales and Soldier Resettlement Act was passed to fix prices at 1942’s level for homecoming soldiers. This naturally suppressed market activity quite markedly. This inertia clung to real estate activity until the National Government lifted the restriction on property sales in 1949. This emancipation from the yoke of depression, world war and restrictive legislation propelled Barfoot & Thompson into a flurry of vigorous expansion. The firm purchased, in 1950, T. Mandeno Jackson, one of the leading real estate firms in Auckland. This was the start of a carefully planned programme of acquisition to develop a network of branch ownership in prominent areas within the Auckland region. They went on to purchase Moss & Moss in Queen Street and open a series of suburban offices until, by 1970, the firm operated their business and owned the premises at 23 branches throughout Greater Auckland. (University of Auckland, 2009)

The firm continued to grow, but not by acquisition of competing companies, but rather, by buying sites and establishing branches so that by today, in 2012, in its 89th year of business Barfoot & Thompson, still family owned, operate from over 60 sites in the Greater Auckland region. (Peter Thompson CEO Barfoot & Thompson, personal communication, November 2011).
2.2.4 Harcourts – the franchise model

Harcourts has its founding roots even back before Barfoot & Thompson, but the company today bears scant similarities or connections to the original family company. Harcourt and Co. was established, in Wellington, by John Bateman Harcourt in 1888 as a real estate and auctioneering company.

Harcourt’s two sons, Gordon and Stanton later joined the company and by early 1900s it had grown to five trading divisions. I believe that as a result of undisclosed differences, Gordon left the firm to form Gordon Harcourt Ltd (now Leaders ReMax Real Estate). Stanton formed a partnership in the 1950s and retired in that same decade and sold his shares in the company. Harcourts Real Estate Limited evolved out of a joint venture with Collins Real Estate of Christchurch in 1985 and by 1988 had grown to 60 offices nationwide. It was in this same year, 1988, that Harcourts began franchising all their offices. During this expansion period Tower Corporation achieved a major proprietary holding in Harcourts. In 1992, with 110 franchised offices throughout the country, the Harcourts directors lead a management buy-out from Tower. The company in the intervening years to 2009 has expanded through acquisition, joint venture and merger to 615 offices, operating in 9 countries. (Harcourts, 2010)
2.2.5 The Cooperatives – First National and Professionals

Essentially these cooperatives are independently owned individual businesses operating as business networks, under a constitution which sets the parameters for eligibility for membership and required conduct.

Professionals was established in New Zealand in 1983 and First National was established in 1985. In many respects, not much separates the cooperative from the franchise model from a consumer aspect. The major difference is in group governance, where in the cooperative a board of directors is elected from the member companies, as opposed to a master franchisor governing the franchised group. The fee structure for member companies is also a good deal less than franchisee levies and fees.
3.0 Literature Review

This study contrasts the adoption of Internet usage and electronic applications in the course of real estate practice by the same agencies that still accommodate themselves in shop-front offices that served the industry decades before the introduction of the World Wide Web. There has been a good deal of words written about the impact of the Internet on real estate business, but much of it has focused on disintermediation. This is particularly so of publications produced before 2000.

Real estate is, at its heart, an information business. Technology has broken the information monopoly. Baen and Guttery (1997) predicted that increased use of the Internet and information technology would have a dramatic and negative impact on the real estate industry in terms of both income and employment levels. They argued that buyers and sellers with access to Internet sourced information would have no need for traditional ‘infomediaries’ and this would lead to wider disintermediation in the real estate industry and consequent job losses. Rosen (1996) offered that the information-laden Internet will replace much of the public’s need for an agent’s traditional house hunting services, suggesting that real estate agents faced extinction, Atkinson (2001) notes that the National Association of Realtors (NAR) must have harboured a similar fear as they fought to prevent Multiple Listing Services (MLS) data from being released to the Internet. Atkinson’s paper suggested that the middle man was fighting e-commerce and thereby hurting consumers. Gates (1996) writes of a ‘frictionless capitalism’ where he targets the middleman, or intermediary, in industries such as real estate and travel. Gates believes that the Internet provides us the capacity to have ‘perfect knowledge’ which, in turn, creates the condition for a perfectly competitive market. In other words, if every buyer knew what every seller was willing to accept and every seller knew what every buyer was willing to pay, then we would find ourselves in a world of low friction and low overhead capitalism, in which market information is plentiful and transaction costs low. This rather assumes that buyers are more rational than emotional. Further, knowing the price of an item does not make it good value.
Wigand, Crowston and Sawyer (2001) in their examination of how the pervasive use of information and communication technologies in the real estate industry changes the way people and organisations in that industry work, observe that there are seven distinct steps in the real estate process from listing a property, through to closing a sale and the agent plays a key role in each of these steps. Whilst the Internet may provide a plethora of real estate information, most buyers and sellers rely on the help of an agent when making a home purchase or sale.

Butters (2002) in looking at the impact of the Internet and electronic commerce on the real estate brokerage business, observes that use of the Internet is not optional for real estate brokers and salespeople. He cites real estate as the second largest category of information available on the World Wide Web.

Lincoln University, over the last decade or so has biennially surveyed residential buyers and sellers to identify, amongst other things, trends in what type of publication, including electronic, are resorted to for the purposes of buying or selling property. McDonagh (2007) reveals that the use of the Internet to locate property has doubled every time this survey has been completed and he proffers that the trend looks set to continue, particularly as more homes achieve Internet access which in 2007 was 80% of New Zealand households. Myers and Crawston (2004) in a University of Auckland study on the survival prospects of real estate agents suggested three potential scenarios for the transformation of the real estate industry by information technology:

1. Disintermediation of real estate agents.
2. Agents dominate the real estate market by using institutional advantages.
3. Increase of social capital (real estate agents use IT to gain more business).

Interestingly, in this body of work where they discuss and demonstrate real estate agents embracing the use of the Internet for information gathering and marketing, they, on two occasions, refer to agents having large shop windows with
photographs of houses in them, without offering any further consideration, question or challenge.

NZ Real Estate (2007) published an article which was an abridged version of research authored by Peter Crisp AREINZ who completed this report toward a Master of Property Studies at Lincoln University. Crisp’s research was to determine if there was a relationship between the physical location of a real estate office and market share, or rather the perceived market share. In other words, does the real estate adage of Location, Location, Location pertain to a real estate office? This survey was confined to offices in the Tauranga area and polled fourteen real estate principals and some 100 members of the public.

Although these surveys were not conclusive, they did show wide variances in perception of the two groups surveyed. The location of a real estate office was viewed by principals as a strong tool for generating market share. It soon became apparent that it had negligible impact upon the public’s perception of market strength, nor would it feature significantly when it came to selection criteria. The public in fact perceived the salesperson to be more relevant to the selection process than branding or perceived market dominance.

One very interesting aspect came out of the survey to support this study’s contention that shop fronts for real estate offices in strip shop layouts hark back to bygone days. Both groups surveyed indicated that they would have chosen to set up a new office where the public could walk past. Yet the major share of Tauranga real estate offices are all in high vehicular traffic and low pedestrian count locations.

Whilst many commentators in the United States of America have for some years proclaimed the death of the mall, the same does not appear true here in New Zealand. In the United States during the 1970’s and 80s a new mall opened every three or four days. Now, according to Ellen Dunham-Jones (2008), an architect and ‘new urbanism’ expert, quoted in Newsweek publication, nearly a fifth of that country’s 2,000 larger regional malls are failing. ‘New urbanism’ has been widely
promoted as the thing to supersede malls. It entails the renovation of central city areas to mix retail, workplace and residential living. Auckland’s attempts at this are Nuffield Street and, more recently, Britomart precinct. Christchurch has similarly ventured with South of Lichfield. Interestingly, Westfield whose interest is globally in mall development was behind the Nuffield Street project, whilst continuing to develop a huge mall in Albany on Auckland’s North Shore and expand Riccarton Mall to 55,000m². Whilst Westfield appears to have a foot in both camps, it demonstrates that unlike the USA, the mall is far from a terminal state in New Zealand. Ballantine (2008) asserts the mall in New Zealand is only now reaching maturity. As an example, movie theatres were included in American malls more than 20 years ago. In New Zealand this happened within the last 10 years. We are still in catch-up mode.

Nuffield Street, Britomart and South of Lichfield are catering to a niche selection of what used to be termed, upwardly mobile personages. The mainstream shopper is still being adequately and acceptingly catered for by the malls.

All this is not to suggest that real estate offices should be sited in malls. In fact, quite to the contrary, the purpose of this exploration of malls is to identify where passing foot traffic really is and dispel any notion that a sensible placement of a real estate office, as a medium to attract direct enquiry from passersby is where most are situated. Predominantly they are in ground floor shop-fronts within strip shopping layouts, where pedestrian foot count is more often low and parking is often difficult, due to heavy traffic movement and the encroachment of bus lanes, particularly on major arterial roads.

The literature reviewed thus-far reveals that many publications focused on the possibility or likelihood of disintermediation of real estate ‘agents’ by the onset of public access to electronic information gathering and communication by way of the Internet. This was not limited to the real estate industry, but included many other
commercial pursuits where an intermediary or middleman stands in the supply chain between the furnisher of a product and the end consumer.

It is not the intention of this study to follow too far this line of thought, but before deviating away from it, some comment should be made on the subject of disintermediation. A residential home purchase is typically the single most expensive and complex transaction most people will enter into. It is not an everyday or even annual occurrence. It may be a transaction that happens between one and three times in an adult lifetime. This is why people will continue to engage the services of a professional real estate agency. Wigand, Crowston and Sawyer (2001) observe that real estate agents provide value in two ways. Firstly by providing resources from their social network and secondly by guiding buyers and sellers through the steps required to complete a real estate transaction. It is the transaction expertise and local market knowledge along with their acquired social network, not their access to proprietary information, that safeguards the realtor from disintermediation.

Weatherhead (1997) offers that shared office, peeled back accommodation facilities and utilising ‘hot desking’ procedures provides considerable cost savings for business. This study contends that the practice also satisfies the needs of the real estate sales operation, which is supported with electronic mobile access to property information. Weatherhead (1997) also cites The Boots Company plc., which operated its business from company owned premises. From an accounting perspective there was no separation of the revenue from Boots premises and revenue from company trading. Comparison will be drawn, later in this study, with Barfoot & Thompson who similarly operate from a large network of company owned offices.

This literature review which encompasses a global macro view of the impact of the Internet on real estate businesses and includes a localised New Zealand micro perspective is useful to highlight the utility of the Internet as a tool to enhance
business practice, information availability and improved communications. A lot of the literature, particularly the Auckland University study refers invariably to real estate agents or brokers, when often, I suspect, it should be referring to real estate salespeople. This study will not be considering disintermediation as a consequence of the rise of the Internet. Muhanna and Wolf (2002) examination of technology’s effect on the real estate industry since Baen and Guttery’s (1997) article found that predictions of income and employment loss had not materialised in those five intervening years and the real estate industry, like most of the United States economy, had experienced steady growth. The shrinking of the numbers employed in real estate since 2007 is, I purport to be, more attributable to the changes in investment initiative and debt reduction mentality occasioned by the onset and durability of what has become to be known as the global financial crisis.
4.0 Methodology

4.1 Surveys/Interviews/Observations

The author of this report is a principal of a real estate company and a separate property management company. My lengthy career has been related to property transactions for in excess of forty years. As a consequence a large amount of the written material here is observation of the real estate industry, supported by review of literature on the wider topic and the endorsement of the survey within.

It has been established by this research that all constituent parts of the real estate transaction are conducted apart from and independent of the real estate office. However, when I first started canvassing real estate sales people as to their use and their view of the function of having an office, so situated and adorned with photographs of properties for sale, I was met with a rather defensive stance.

I therefore elected to abandon this style and focus of questioning and concentrate on the individual salespersons use of electronic media and devices with applications able to provide them with the required information to complete their tasks, without recourse to the need of an office, let alone a ground floor shop front office. This remote capability is further enhanced with the continued miniaturisation of the tools or appliances that carry these applications. Every technical aid necessary today can be accessed on the salesperson’s SmartPhone. By this approach I was also able to get the full cooperation of the branch manager or principal officer of the firm, who were happy to demonstrate how Internet embracing and smart their sales team was.

I found the best method was to have myself invited to attend at a sales team meeting, give a very brief address on how, as part of my research, I wanted to review the manner in which the real estate industry has employed the use of the World Wide Web and Internet for property information gathering, personal
promotion and marketing to help effect sales. I then handed out the appendixed survey for their completion.

Observation demonstrates that most real estate offices continue to operate from ground floor shopfronts on strip shopping locales. It has been established that the franchise and cooperative models of operation, have all existing and new entrants compelled by their governance documents to continue to present themselves in this fashion. The Barfoot & Thompson family owned model chooses to continue in this way. The independent boutique agencies that are physically visible seem to follow the established pattern.

4.2 Survey

This study has sought to demonstrate that shop front premises is anomalous and wasteful on a number of grounds. The survey is to demonstrate what this study contends throughout, that the real estate transaction, in all its constituent parts is conducted without recourse to the need of an office.

The questions were designed to firstly establish that the surveyed is equipped with a sufficient standard of electronic accessories to access the information available. Then in the listings section to affirm that the sales person, rather than the branch office, is central to generating the business and this theme is perpetuated in the marketing section. Question 13. asks the surveyed to rate in importance elements contributing to the promotion of the property for sale and as anticipated the most important activity was exclusive of the real estate office. This was tested again in Question 16. with the same anticipated result.

A copy of the survey is attached as an appendix to this dissertation.
4.3 The Sampling

In an endeavour to achieve a reasonable mix, I selected distinctly variant socio-economic areas of Auckland. Papatoetoe in South Auckland, Henderson in West Auckland and the more affluent Takapuna on Auckland’s North Shore and Central Auckland. Eight offices were approached and agreed to participate. Ninety surveys were distributed and of those returned, thirty-three were completed to a sufficient degree to be included in the results.

I had anticipated that there may have been a marked difference in the overall answers to this survey relative to the area where the office is situated. It eventuated that there was no appreciable difference in the attitudes and opinions from the less affluent area offices than those more affluent environs. An exception, perhaps amusing; the Takapuna office of Bayleys, (Bayleys might be considered an ‘upper crust’ office) put a consistent importance on the quality of vehicle used by sales people. Their car park was mainly occupied by European cars the days I was there.
5.0 Findings

5.1 Introduction

From observation throughout the country it is indisputable that real estate agencies, whether they be long established identities or new entrants into the business, tend to establish themselves in ground floor retail shop sites, generally in a row of strip shopping.

In many cases where e-commerce has emerged e.g. sites such as Amazon, TripAdvisor and Maestro, it is merely a case of online intermediaries supplanting physical intermediaries i.e. book stores, travel agents, music stores. ‘Bricks and mortar’ outlets being replaced by ‘clicks and order’ sites.

This study foresees the real estate industry continuing in its present role, but seeks to highlight the anomaly of an industry that has already fully embraced e-commerce and technological applications available to it, but steadfastly clings to costly shop-front office accommodation which served its purpose over a century ago when telephones were only being introduced to New Zealand.

5.2 Use of Remote Access Devices for Property Data and Information

5.2.1 SalesPartner

There are a few proprietary brands of software packages that have been designed or adapted for real estate use in New Zealand. Typical is the facility offered by Sales Partner Real Estate Technology (SalesPartner). This package not only allows remote access to information and the ability to distribute that information, but also fills the role of an assistant, a secretary, a coach and an electronic or hard copy brochure/flyer producer. The product has an extensive set of modules accessible by means of a laptop computer or other portable device such as an iPad, Tablet, Personal Digital Assistant (PDA) or SmartPhone.
Some of the modules that allow an agent to carry out real estate business without recourse to a physical office include:

- Print a flyer/brochure or a list of properties
- Email a listing to a prospective purchaser
- Upload new listings to SalesPartner Weblink and email to prospective buyers
- Prepare a Comparative Market Analysis (CMA). A CMA is a standard step after viewing a property to be newly listed for sale. It analyses comparable recent sales in the area, which have been downloaded from REINZ statistics.
- Print a register to record attendees at an open home
- Process open home attendees for follow-up procedures
- Collate all open home attendees and send them new listings
- Download Sale & Purchase Agreements
- Set up Smart Letters to keep in touch with clientele – anniversary of purchase, special celebrations, announcements etc.
- Merge text messages using Skype
- Develop buyer matching criteria
This is by no means an exhaustive list of the modules available on SalesPartner. It does demonstrate that the facility of being able to operate independently of an office or office structure is there to be embraced and the only necessary piece of equipment is a Smartphone, carried in the salesperson’s pocket, briefcase or handbag.

This is a most comprehensive tool for those salespeople not attached to the larger companies that may have developed advanced websites.

5.2.2 E Key

When a real estate company is marketing a property for sale, ready access to show prospective purchasers is obviously desirable. The traditional solution for this has been a lock box which is a hollow brass extrusion with chain and padlock. This provides limited security and no safeguard for appropriateness of entry.

E Key is an upgraded electronic version of a lock box which opens the secure device by way of an application stored on the salesperson’s Smartphone. The entry is electronically stored and can be called up as a register or report delivering the date time and phone number of the salesperson entering. Again, this allows the salesperson to operate with increasing autonomy.

Barfoot & Thompson have completely switched to this E Key, meaning all their 1300 plus salespeople need to be equipped with a Smartphone, which will encourage them to delve more deeply into remote based applications, independent of office stored information. (Barbara Smith, Manager, Barfoot & Thompson. personal communication, August 2012).
5.2.3 Marketing Planning

In larger firms like Barfoot & Thompson that houses, or housed, a centrally placed marketing division, advertisements were compiled on the advice supplied by the salesperson and then placed with the print media.

Today Barfoot & Thompson salespeople can log in to the company site, whilst still with the client, format an advertisement, signage and flyers for the property, obtain a quote for the cost of the marketing campaign and gain the approval and promissory funding from the vendor, all by way of remote access. (Barbara Smith, Manager Barfoot & Thompson, personal communication, August 2012).

5.2.4 Sale and Purchase Agreements

Sale and Purchase Agreements can be accessed and completed on-line from the Real Estate Institute of New Zealand. The finished agreement can then be forwarded electronically to the branch manager should there be any extraordinary clauses needing vetting, before proceeding to signature, further illustrating the lack of dependence on a physical office situation.
5.3 Ownership model - Barfoot & Thompson.

Have advancements changed office needs?

In eight decades of operations, except for modernisation, there has been little change in what Barfoot & Thompson perceive they need in terms of property resources from which to operate their business. This is equally true of all other real estate firms of any size or note. As they did in the early decades of last century, they continue to do to this day; that is, seek out suitable sites for a ground floor, shop front premises that they continue to adorn with photographs of properties for sale. These sites are generally in suburban or town strip shopping areas. The modernisation referred to in the opening sentence of this paragraph refers mainly to decor and equipment and whilst all real estate offices would have on-line capability to the information highway via the Internet, their approach to their own business housing needs seems to be at odds to how they actually operate and in so doing add unnecessary cost to what could be a more trimmed down operation.

When Val Barfoot operated his fledgling real estate business in the early decades of last century, it was from a ground floor shop front office and was later to include a desk for each salesperson engaged. Today, that format remains largely unchanged, yet, consider the changes in how business is now conducted and how technology has provided access to information and the ability to store and make available electronically that information anywhere.

Barfoot & Thompson Limited, the real estate company, owns all the offices that Barfoot & Thompson Limited, the real estate company, operates out of. The reason I am labouring this, is that there is no separation between the property owning entity and the real estate sales entity and this matter will be addressed later in this dissertation, as it may be a contributing factor as to why the malaise over premises choice persists.
5.4 Harcourts – the franchise model rules

With growth like Harcourts experienced particularly in the last two decades, the company is very protective of its brand standards. Every franchisee joining the group is bound by a franchise agreement, which requires an adherence to their policy and procedures manual, which among other things defines the look, livery and style of the Harcourts office. The franchise agreement is an unchanging agreement, whereas the policy and procedures manual can be updated or modified. (Duncan Hayden, CEO Harcourt Group, personal communication, July 2012).

It is reasonable to suspect that other real estate franchises will operate under similar protocols. Thus the appearance, style, format and position of the real estate office is at the dictate of the franchisor and at the cost of the franchisee.

5.5 The Cooperatives – First National and Professionals similarly rule

Alongside the group constitution are policy documents which are binding on the individual business as to premises appearance and livery. Member businesses pay a subscription to participate and support the brand. (Lance Eccles, Network Development Manager, First National Real Estate. Personal communication. July 2012).
5.6 Observation and Conduct of Real Estate Process

5.6.1 What need of a branch office by a real estate company?

Each of New Zealand’s major cities is divided into desirable, parochial and socio-economic areas or suburbs and real estate companies perceive the need to be identified as having a presence and knowledge of those areas. Since real estate companies operated in New Zealand, this has been felt best established by opening a physical branch office in the area, with suitable signage declaring the company’s presence. Almost without exception these offices are established in strip shopping areas as ground floor shop-fronts.

The purpose of a shop is to store and display physical goods in such a manner as to draw people in and transact a sale. The function of a real estate company is to firstly secure a listing of a property and offer it for sale i.e. an agency agreement with the owner to represent his interest in arranging a sale.

5.6.2 How is a listing of a property generally obtained?

Generally a person considering selling a property will select a real estate company or salesperson known to obtain results in the prospective vendor’s locality and contact that salesperson by phone so they can provide an appraisal on the property and submit a marketing plan. This involves a physical visit by the salesperson to the property in question. The salesperson after visually appraising the property will resort to Internet searches of comparable property sales in the area in order to be in a position to present a considered and reasoned appraisal.

Salespersons in real estate tend to promote themselves photographically almost as much as the property they are promoting and this is often at the vendor’s expense. The survey results confirm that vendors will select a salesperson that they perceive to be successful in their area, as much as they will select an agency similarly perceived successful, which tends to negate the notion that listings will come
through the office door. In this early part of the sale process, there appears little call on having a branch office.

5.6.3 The principal forms of displaying a property to attract purchasers

These include:

1. Placing an advertisement with photographs on specialist property Internet sites
2. Placing a standout advertisement in specialist printed publications
3. Placing advertisements in daily press
4. Erecting substantial on-site billboard with photographs and highlighted features of the property
5. ‘Open Home’ showings of the property
6. Distribution of flyer notices within relevant neighbourhood
7. Placing a photograph of the property with briefest description in the window of the real estate office

Of the seven forms of display listed above, which are arguably in their descending order of importance only number 7, the least important, relies on having a branch office in the area, openly accessible to casual passing traffic.

The survey results affirm that in the course of completing a sale, the transaction nearly always involves a to and fro series of written offer negotiations between the residences or workplaces of the purchaser and vendor, with the salesperson as the steward of the transaction. This can be a time consuming matter and it is therefore better for people to be left in the comfort of their own environment, thus the salesperson will seldom resort to the use of a company office. The salesperson, in fact, will ensure that the two parties are kept apart at all times to avoid any emotion or untoward comment between the parties that might threaten a harmonious conclusion of the sale process.

Once the sales contract has been successfully completed, copies are sent to the parties legal advisers’ offices, in order that any conditions are met and settlement
completed on the due date. No significant part of the entire sales process is transacted in the real estate office.

5.6.4 The principal activities of the real estate operation can be seen to be conducted away from the branch office. What then are the activities conducted within the office?

These include:

- Provides accommodation for the branch manager and receptionist.
- Houses a photocopying facility.
- Provides a central facility for the branch manager to conduct sales meetings.
- A cynical view might be that the office provides a gathering place and coffee facility for the sales staff who are not so active. Most commission sales industries have 20% of the salespersons generating 80% of the actual sales activity and the real estate industry follows this pattern.

A drive along Auckland’s New North Road, Mount Eden Road, Sandringham Road and Dominion Road, reveals that each of these arterial roads are speckled with ground floor, shop-front real estate offices with windows literally covered with photographs of properties for sale.
Street-side car parking is near impossible, with bus dedicated lanes predominating. No doubt, as it applies to Tauranga (as identified by Crisp (2007)) and Auckland, it applies to other significant cities throughout the country.

5.6.5 Real estate offices offices housed in shop-like edifices to attract passing shoppers, but is this where people shop?

New Zealanders continue to shop at malls, which provide good covered car parking (an important issue in Auckland where rain is not uncommon). Alternatively most supermarkets, if not anchor tenants in a mall, are of such magnitude that they tend to be too large to abut strip shops. This equally applies to other stores of destination like DIY outlets. Thus strip shopping often deteriorates to independent low scale fast food outlets or immigrant stores selling goods, perhaps outside the captive net for aspiring home owners.

5.6.6 Prospective Buyers and Sellers

The focus so far has been mostly on how real estate offices present themselves, but what about the public? No doubt, in suburban village environs people do stop and look at real estate photographs in windows as they are wandering through the shopping centre, but it is doubtful that this is the recourse of a serious buyer or seller. It is interesting to look at the Internet traffic searching real estate listings. I contend this is the efficient and central activity of those looking to buy or sell, rather than photographs in a real estate shop window.

The Nielsen research on the following page shows the amount of traffic going to the two main dedicated New Zealand sites, Trade me and Realestate.co.nz, with the individual real estate company sites trailing considerably. This data is for January 2010.
In the comparison of Trade me Property and Realestate.co.nz, it should be noted that Trade me site includes rental traffic, whereas Realestate.co.nz is limited to properties for sale.

![TOP REAL ESTATE SITES](image)

**TOP REAL ESTATE SITES**

Total Traffic, January 2010

<table>
<thead>
<tr>
<th>Rank</th>
<th>Website</th>
<th>Traffic</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>trademe.co.nz/property</td>
<td>1,127,338</td>
</tr>
<tr>
<td>2</td>
<td>realestate.co.nz</td>
<td>437,517</td>
</tr>
<tr>
<td>3</td>
<td>harcourts.co.nz</td>
<td>196,998</td>
</tr>
<tr>
<td>4</td>
<td>trademe.co.nz/flatmates</td>
<td>174,778</td>
</tr>
<tr>
<td>5</td>
<td>open2view.com</td>
<td>120,225</td>
</tr>
<tr>
<td>6</td>
<td>barfoot.co.nz</td>
<td>109,078</td>
</tr>
<tr>
<td>7</td>
<td>bayleys.co.nz</td>
<td>102,498</td>
</tr>
<tr>
<td>8</td>
<td>qv.co.nz</td>
<td>68,172</td>
</tr>
<tr>
<td>9</td>
<td>nzherald.co.nz/propertynews</td>
<td>59,648</td>
</tr>
<tr>
<td>10</td>
<td>zoodle.co.nz</td>
<td>44,950</td>
</tr>
</tbody>
</table>

Source: Nielsen Market Intelligence

Unique Browsers for January 2010

Top Sites, Real Estate Category, NZ Total Traffic

**figure 7.**

On the following page there is a comparison between two dedicated real estate sites for March 2012
figure 8.

All traffic statistics are based on Nielsen/NetRatings Online March 2012. NZ total traffic in the real estate category.

figure 9.

All traffic statistics are based on Nielsen/NetRatings Online March 2012. NZ total traffic in the real estate category.
5.7 Survey Results/Findings

The graphs below record the actual responses to the survey distributed to ninety real estate salespeople – a 36.6% response rate was obtained.

**Q1 - Which of the following devices do you have as business tools?**

- Laptop Computer: 28
- Ipad/Tablet: 8
- Smartphone/Computer Link: 24
- Ordinary Mobile Phone: 4

**Q2 - What is your manner of recording appointments?**

- Handwritten Diary: 16
- Computer Only: 2
- Smart Phone/Computer Link: 18
Q3 - How do you record prospect lists (buyers/buyer needs)?

- Handwritten Entry: 13
- Computer: 19
- Smartphone/Computer Link: 7

Q4 - When a prospective vendor is considering listing a property for sale he/she is more likely to directly approach:

- An Identified Successful Sales Person: 22
- An Identified Established Real Estate Agency: 9
**Q5 - In your experience such an approach (Q4) is more likely to be by way of:**

- Telephone Call, TXT or E-Mail to Salesperson: 26
- Telephone Call, TXT or E-Mail to Real Estate Office: 7
- Personal Visit to Real Estate Office: 0

**Q6 - Listings are the most essential ingredient for success as a salesperson in the real estate industry**

- Strongly Agree: 30
- Agree: 3
- Disagree: 0
- Strongly Disagree: 0
Q7 - The most important factors in gaining listings is having the knowledge of current sales activity in comparable properties and being able to personally demonstrate this information directly to the vendor(s)

Q8 - After physical inspection and CMA a listing is most likely to be completed?
Q9 - Are you equipped with the electronic capability of working remote from your real estate branch office and able to call up information that will help you secure a sales listing?

Yes: 29
No: 4

Q10 - Which do you think a vendor rates as the most important toward completing a successful sale?

The Salesperson and/or Listing Salesperson: 28
The Real Estate Company Salesperson Works For: 5
Q11 - Which do you think a purchaser rates as the most important toward achieving a successful purchase?

- The Salesperson: 31
- The Real Estate Company Salesperson Works For: 2

Q12 - Building enduring personal relationships contributes highly to real estate sales success?

- Strongly Agree: 25
- Agree: 7
- Disagree: 1
- Strongly Disagree: 0
Ranked by order of importance. For example if “On-line” was rated 1st by the person being surveyed, it would gain 8 points, the lower the importance – the lower amount of points it received.

Results (in the same order as in the question):

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>161</td>
</tr>
<tr>
<td>B</td>
<td>187</td>
</tr>
<tr>
<td>C</td>
<td>93</td>
</tr>
<tr>
<td>D</td>
<td>74</td>
</tr>
<tr>
<td>E</td>
<td>236</td>
</tr>
<tr>
<td>F</td>
<td>190</td>
</tr>
<tr>
<td>G</td>
<td>55</td>
</tr>
<tr>
<td>H</td>
<td>119</td>
</tr>
</tbody>
</table>
### Q14 - Indicate on the scale below your agreement or disagreement with the following statement. 'Auctions aside, between offer and acceptance the vendor and purchaser, as part of the sales process, are unlikely to be in the same room at the same time.'

<table>
<thead>
<tr>
<th>Level</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>11</td>
</tr>
<tr>
<td>Agree</td>
<td>18</td>
</tr>
<tr>
<td>Disagree</td>
<td>4</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>0</td>
</tr>
</tbody>
</table>

### Q15 - As sales are often subject to offer and counter offer, it is important for timely and separate consultation by the sales person with the parties. This is more easily achieved at the premises of the parties than in a real estate office environment.

<table>
<thead>
<tr>
<th>Level</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>12</td>
</tr>
<tr>
<td>Agree</td>
<td>15</td>
</tr>
<tr>
<td>Disagree</td>
<td>5</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>2</td>
</tr>
</tbody>
</table>
Ranked by order of total importance. For example if “Branch Office Cubicle/Desk” was rated 1st by the person being surveyed, it would gain 9 points, the lower the importance – the lower amount of points it received.

Results (in the same order as in the question):

A 274  
B 224  
C 188  
D 117  
E  60  
F 145  
G 102  
H 105  
I 227
6.0 Discussion and Implications

6.1 Comment on Survey Results

The results from the survey were largely in accord with what I anticipated. Whilst younger people are coming into the real estate industry, the average salesperson usually enters the business from another industry and consequently is of more mature years. With that often comes the attendant wariness of embracing technology. In this respect it is pleasing to see the use of SmartPhones and laptop computers as tools. Question 1. revealed that only four of those surveyed were still using standard mobile phones and interestingly in Question 9. the same number (four) confirmed that they did not have the capability of working remotely. Throughout this dissertation I have repeatedly used the photograph covered real estate office window as the target of my attention and the answers to Question 13. rate it the least contributing factor to the marketing of a property. Whereas Question 16. asked for a similar ranking, but from the angle of contributing to an image of personal successfulness. In the answers to this question the surveyed ranked the quality of the real estate accommodation and the space allocated for their personal use lesser than the real estate office photograph adorned window. Once, in a corporate environment, the amount of personal space, size of desk, type of chair and provision of partitions or office denoted the seniority of the individual. That this is not relevant in the perception of those surveyed may well tell us that clients, are seldom, if ever, in the real estate office and perhaps the salesperson is not utilising the office enough to care.

The survey confirms that the greater percentage of those surveyed are fully capable and undoubtedly practiced at working remotely from the physical structure of a real estate office.
6.2 Real Estate Agency Shop-Front Offices – Roadkill on the Information Highway?

Real Estate is an information centric business. Technology has made that information readily available. One only needs to look to the travel agency business to see how that has been decimated by the Internet access to travel bookings and accommodation. Globally there are hundreds of thousands of real estate sites, providing information on properties for sale, where such information was traditionally the preserve of the real estate agency.

The smart real estate salesperson will continue to prosper by embracing the power and the sheer facility of the Internet, which most in New Zealand are doing to varying degrees, but in adopting and utilising this technology, they perhaps need to be similarly shedding the attachment to housing themselves in ground floor shop-front offices. It is notable that Lincoln University’s 2007 survey covered two print-form publications dedicated to property listings, the Internet, metropolitan daily newspapers, suburban newspapers, free weekly newspapers, weekly classified advertisements and a private sale publication with associated website. Not one of these property marketing devices is reliant in any way on the physical position of a real estate office, yet these are considered the determinants of how people approach to purchase real estate, which leaves our photo festooned shop-front window quaintly clinging to bygone days.

To illustrate this; when approaching offices to participate in the survey, I walked into First National Able Realty in Papatoetoe, bypassing a sandwich board advertising an immigration lawyer on site. I encountered an unmanned reception area and was waved at by a female in an internal office, which one would assume to be the manager’s office. She was engaged with a client. I moved to outside the office door, to see it was emblazoned with a sign ‘Immigration Lawyer’. My mobile phone then rang which alerted a property letting manager, from a nearby cubicle, to my presence. Upon describing my mission, he offered to summon the manager,
who was owner, Bob Wong. I explained matters to Bob and he agreed to cooperate. As an aside, I asked him whether they had any walk-in traffic to the office. He declared that there was absolutely none and that is why he let the space to the immigration lawyer, which may explain why she assumed, in waving to me, that any walk-in traffic was solely her clientele. I then asked Bob further about direct public approaches and his response was “Can you hear the phone ringing?” This encounter was the most marked in illustrating that a physical real estate office is not a destination for buyers or sellers and, on reflection, there was not an obvious member of the public visiting any of the real estate offices on any of the occasions that coincided with my visits.

To this point this report has focused on where real estate offices are situate and questioned that placement. The study will now examine accommodation alternatives and demonstrate that these fully serve the purposes of the modern real estate operation and offer a more favourable exercise of corporate real estate asset management.

### 6.3 Branch Offices offer a Presence

It is indisputable that as one drives through our towns and cities, one can identify the offices of larger real estate groups, be they franchises, cooperatives or large family owned companies like Barfoot & Thompson, from the corporate livery that adorns the building. However that presence established comes at some considerable cost, whether the premises is leased or owned. That establishment of presence is a marketing exercise through advertising. Marketing and advertising can take many forms and it is possible to have naming rights on any building where the owner is prepared to make this right available for sale or lease. Equally, large billboards are available through outdoor display hoarding companies. The whole
matter of marketing, advertising and establishing a presence or point of recognition for a real estate company has to be balanced against the fact that real estate is very seldom an impulse buy and that when it is, it’s the property that triggers the purchase, not the real estate company. A company can equally proclaim its presence in the community through medium of sponsorships, community support and similar involvements.

If one is seeking to purchase a property, or is merely alerted to a property for sale, it is the advertisement of the actual property that commands attention, regardless of the real estate company marketing it. As there are few agents that will ferry buyers around looking at properties, where a specific purchase is not in mind, the instance where a choice of real estate agent is concerned remains centred on the seller only. The seller will invariably be resident in the community, meaning that a general awareness of the agency activity in the area will be more significant than where a branch office is situated.

6.4 Alternative Options for Real Estate Formats

Not only should real estate offices consider whether ground floor shop fronts are financially appropriate, but also whether the facility provided for salespersons is perhaps excessive given the manner (already described in this study) by which the listing, presentation and eventual sale of property is conducted by the real estate salesperson.

The typical real estate office will provide for a reception counter, an office for the manager and a series of desks, workstations or booths to provide for each salesperson, irrespective of the level of production generated from that desk. The greatest danger to the real estate agency principal is that real estate as an occupation can be seen as a refuge, even perhaps of last resort, following a
redundancy. The statement “I thought I would try my hand at real estate” is almost a proverb. It is symptomatic of the industry that it has quite a churn in terms of staff turnover. To turn real estate from an ‘arms and legs’ industry, an urgency and sense of endeavour can be injected in by ensuring that an office visit is purposeful in that one has something specific and immediate in terms of business to conduct there. In exploring the options below the focus is principally on larger multi-office firms like Barfoot & Thompson or Harcourts, but the principles remain true for single office boutique agencies.

Option 1

Move out of that more costly ground floor shop-front office and take up premises in an upper level of a building as a ‘first floor consultancy’. The discoloured faded photos from the old shop-front window can be consigned elsewhere; perhaps to oblivion. There will be considerable savings, moving from retail space to office space and it will be a good opportunity to rationalise the actual space needed to generate business income rather than space needed to provide desks for the perceived necessary size of the sales force as alluded to in the succeeding options. Essentially then, this option is simply to effect cost savings and add bottom line profit by decamping to a more economic position and forsaking the age old attachment to ground floor shop-front. This option keeps the structure essentially the same but removes it to a more cost effective position. This is going to result in paying less for leased premises, or if the building is owned by the agency firm, as with Barfoot & Thompson, gain a truly market rent for the retail premises and take up lesser costly floor space upstairs in the building or at an alternative location.
Option 2

As with option 1, seek out a retailer to take over the ground floor shop-front space and set about organising a completely different branch environment. Earlier in this report we examined and revealed that nearly all real estate transactions are undertaken exclusive of the branch office and the function that the office tends to serve is more as a gathering point with a few ancillary services like photocopying which could be replicated in another way or sourced externally.

If a branch office is needed (and this calls for consideration) it certainly need not be a replication of the branch office format that currently exists. With salespersons of any measure of success, their visits to the office are infrequent and fleeting, usually entailing dropping off completed sale and purchase agreements, photocopying or attending obligatory weekly sales meetings. A working branch office could be in the form of a first floor premises, less than half, maybe a third of the size presently occupied. It could be stocked, say for an office of 12 salespersons with a four bay workstation with docking stations for laptop personal computers. The workstation could be complemented with a round meeting table and 4 chairs. An automated coffee facility and a photocopying machine might complete the picture.

The practice of salespersons sharing desks is known as ‘hot-desking’ and the term is derived, I believe, from the ocean going yachting fraternity, where in off-shore races or voyages, the boats have to continually proceed under sail, so the crew splits into watches (shifts) and the wet and chilled crew member being relieved, slips into the warm bunk vacated by the crew member who relieved him. This practice is known universally as hot-bunking.

Weatherhead (1997) refers to a study commissioned by property consultancy, Richard Ellis, wherein Harris Research Centre in 1995 undertook a review of the workplace and concluded that hot-desking would become widespread. Of the companies they interviewed, 37% confirmed that 10% or more of their staff already shared desks and in 11% of companies over 70% of the staff currently shared desks.
IBM missed the market in the 1990’s by failing to adequately gauge the impact the personal computer would have on its business; persevering with mainframe computers whilst businesses turned to networking PCs. IBM found themselves having to scramble to survive, let alone recover. Part of their recovery was a rationalisation of property holdings, which ultimately also included the practice of hot-desking. Weatherhead (1997). Thus in 2012 the introduction of the concept of hot-desking for a real estate business is neither groundbreaking nor radical.

Option 3

With most of the activity attached to the real estate sale and purchase undertaken away from the office environment, the question must arise as to whether a branch office is necessary at all. Larger firms like Barfoot & Thompson could conceivably operate from a hub office, where all marketing support is generated and sales managers are housed while each agent operates remotely from a home office environment. Certainly all the electronic capability exists for a salesperson to run a virtual office. There is little identifiable need to necessarily have a branch office environment as currently exists.

6.5 The cost of different office space options

Across Auckland, within the same commercial area, one can expect to pay one third to half as much again for ground floor retail space compared to upstairs office space. The average real estate office of medium size would inhabit approximately 150 m$^2$ of floor space at an average rental of $280$ per square metre. A cost to the business of $42,000$ per annum plus operating expenses and GST.

If the business was to adopt Option 1 and operate on the same scale, but from a first floor office situated in the same commercial area, the average rental would be
$190 per square metre. A cost to the business of $28,500 pa plus opex and GST. A direct saving in overhead cost of $13,500.

If the business was to adopt Option 2, scaling down to a hot desking office pod of say 60m$^2$ @ $190 per square metre, there would be an annual lease outlay of $11,400 plus opex and GST; a saving of $30,600. Further, there would be no need for a receptionist salary of $24,000. A lowering of overhead costs of $54,600.

If the business was to adopt Option 3, having salespersons operate from home bases the cost for accommodation of $42,000 would be saved along with the receptionist wage of $24,000. A total of $66,000 per annum added to the company’s bottom line.

It may well be in adopting option 2 or 3 where sales/branch managers were not required at physical branch addresses, further savings could be made in having more salespersons report to a sales manager, perhaps saving further salary expenses. Whilst these savings are administrative expenses they are achieved directly as a result of managing the property asset more prudently.

Thus far, this study has examined the physical positioning that most real estate offices adopt and has queried the rationale that determines such positioning. We have also examined options that might be viable as alternative forms of operation. The master franchisor of firms like Harcourts would no doubt be loathe to see the operation change too much as a physical operation with good visibility is easier to promote and sell to a prospective franchisee than a more conceptual model. All existing franchises are compelled by their franchise regulations to proliferate in the prescribed model they entered into the franchise with.

Thus the continuing manifestation of real estate companies own office accommodation, in the case of franchised and cooperative models, is at the dictate of their own in-house regulations.
6.6 Barfoot & Thompson – ownership model governance

Barfoot & Thompson call to be examined in a different light. As described earlier, Barfoot & Thompson are a tightly held family firm that is governed today by second generation (Barfoot) and third generation (Thompson) family members. Barfoot & Thompson see it as a strength that they own the premises from which they operate and in these straitened times, no doubt, proprietorship provides considerable comfort. However, is ownership of their property the best employment of capital and is the manner in which it is held the best form of corporate real estate asset management?

6.6.1 Family business – survival aspects

There are not many family businesses in New Zealand that have continued through depression, world war, oil shocks, stock market excesses and virtual collapse, impacting foreign crises and now this global credit crunch and still remain profitable and moreover tightly held by the descendants of the original founders. In Auckland, perhaps retailers Smith & Caughey would be the nearest parallel to Barfoot & Thompson. Sadly it is a rare business that survives three generations and the adage that a business goes from the gutter to the gutter in three generations has been seen proven in any number of situations. Perhaps Barfoot & Thompson have been fortunate that so far the breed of each succeeding generation has had the fibre, verve and willingness to lead what is surely a very significant business with over 60 branches and employing over 1,000 staff. Life is never certain and anything can happen to disrupt succession plans. This could have been so in the third generation Thompson family. At the turn of this current century the firm was led by Mark Thompson, a man in his late forties, qualified in law and accountancy, who suffered an untimely death. Fortunately for the firm his younger brother Peter was capable of ‘stepping into the shoes’ and running the business. What, though, if there was no succeeding generation or if that generation wanted to be a priest or ballet dancer or
squander the opportunity for a hedonistic life? Simply put, Barfoot & Thompson should be preparing themselves for such an eventuality. Whilst the company has remained as a privately held company, perhaps it should be styling itself as if it was a publicly listed company. It is almost inescapable that one day, one generation may elect to sell all or part of the company and that sale may or may not include the property holding. It would be opportune to turn some attention now to a stricter level of corporate real estate asset management, where the sales agency activity was held separate to the governance of the company’s real estate asset base.

6.6.2 Is Barfoot & Thompson business their business?

The question raised in this heading is not referring to their right to plot their own destiny, but rather as to the generation of profit. Is it derived from owning real estate as a company or selling real estate as an agent? Unless there is clear distinction and indeed separation of the dual activities, one may never be sure. For example, McDonalds, the global fast food giant, is essentially a property owning company that uses its property through a franchise system to sell hamburgers.

Should Barfoot & Thompson ever be offered for sale or be offered to the public as a listing through a share issue, without that separation of the two functions, the real estate sales business might be actually performing below what appears to be the profitability levels, as a result of paying “reasonable” rents on the books of the company. Conversely the property side of the business may appear to be underperforming for the same reason.

Weatherhead (1997) cites a good example of this with The Boots Company plc. During the late 1980’s The Boots Company realised that it needed to be more overt in the management of its real estate assets. The company owned more than 1200 shops nationwide, within the United Kingdom. It needed to clear confusion from the
retail operation, caused by the inclusion of real estate in the accounts of the retailing business.

As a retailer, Boots wanted to ensure that its profit from trading was transparent. It needed to separate trading growth from asset growth. They had come to appreciate that failing to separate the two functions of their revenue was to the detriment of both business activities. There was also a growing realisation that half the company’s assets were attributable to property, yet the group had no distinct management of these assets to ensure that Boots was giving to shareholders the level of returns on their investment they were entitled to expect. The first step was to establish a new company, Boots Properties plc. The portfolio of properties was transferred to the new property company. The individual Boots trading companies were then charged a market rent for using the premises. This increased the rental charges for the companies which had a flow-on effect of lowering trading profits. In turn the revenue to the property company and the resultant revaluation of property asset more than set this off. More importantly though, it served to compartmentalise the revenue streams and resultant profits. It is only then that the real estate asset could be effectively managed.

6.6.3 Barfoot & Thompson Limited - the structure and asset

Barfoot & Thompson Limited, unlike The Boots Company plc., is a private company not a publicly listed company, and as such, does not have to report to its public investor shareholders, nor, of course, publish its accounts. That said, it has family shareholders who work in the business and other family shareholders who appear to be remote from the day to day running of the business. It is reasonable to suspect that each and every shareholder would look forward to the best dividend the company could produce from year to year. The governance and financial profitability is as equally important to those family shareholders, or perhaps more so, as it is to investors in publicly listed companies. There is also an importance in
having the company or companies correctly structured, so that in a sale of the company, (the real estate operation with or without the attendant property holding,) true market values are clearly established. The exercise with Boots referred to in the preceding paragraph has direct parallels to what could be the situation with Barfoot & Thompson.

As it stands at the moment all the company’s properties are owned by Barfoot & Thompson Limited, which, of course, is also their trading company. (Peter Thompson, CEO, Barfoot & Thompson. personal communication. July 2012). Barfoot & Thompson Limited has as shareholders two companies related to each of the families, with shareholdings in those companies apportioned among family members. Thompson asserts that all the branches pay a market rent for the premises they occupy. The buildings are revalued every three years. (Peter Thompson, CEO, Barfoot & Thompson. personal communication. July 2012).

Commercially one could not argue that Barfoot & Thompson run anything other than a successful business. There are over 30 real estate companies operating in Auckland and Barfoots account for over 30 per cent of all the sales in the region. (source; realestate.co.nz) However, as with The Boots Company, it would be prudent to split off the properties into a separate trading company from the real estate agency sales activity and appoint dedicated, experienced property management professionals to administer the portfolio as a separate business. The effect of this would be to ‘put the torch’ under Thompson’s assertion that the rents charged to the branch premises are indeed competitive market rents.

Additional benefits that would flow through the company might be a rationalisation of where the company has premises and where better it could have premises. By introducing new skill sets to the property management, untainted with having a real estate agency background, they will not be bound by historic conventions. Undoubtedly a strength of Barfoot & Thompson’s operational business is their property holding and it would be churlish not to commend them for acquiring sixty
premises, but that holding could also be a weakness, in a sense, as it tends to impede any propensity to change. Barfoot & Thompson, like every other real estate company, has its office in ground floor shop-fronts in strip shop configurations, in practically every suburb within greater Auckland.

A recommended transfer of real estate asset to a separate company styled B & T Properties Limited and the appointment of seasoned dedicated property professionals to administer the portfolio could prove to be of considerable benefit. Management of Barfoot & Thompson would need to allow the property team at least a free hand to recommend changes to the portfolio.

A property management team may determine that it is not necessary for Barfoot & Thompson to own the property in which it houses itself. It is after all very limiting if technology is properly embraced and the industry starts operating on a ‘virtual office’ basis leaving the company with surplus property space in deteriorating strip shopping precincts.

I contend this change is already upon us now and is unrealised or ignored. A property management team may find themselves in a situation of recommending a programme of staggered sales of existing sites, whilst looking for more suitable property asset for the company to invest in and provide a good return to the family shareholders.

It would be prudent to lease property for the real estate operation in which ever mode was determined would be appropriate, particularly under the threat of being caught up in an evolutionary change to the manner in which real estate business is conducted and being left with owned and unwanted space in what is probably an under-performing and deteriorating retail area.
7.0 Conclusion

Crisp’s (2007) research revealed that most real estate enquirers would resort to the salesperson perceived as successful and also given that first contact is likely to be by telephone or email, that salesperson could be operating from any premises; his home or even his motor vehicle. That research is largely supported by the survey results herein.

It has been demonstrated that the entire sales transaction can be and usually is conducted without recourse to a dedicated branch office. Yet the office structure as we have known it for decades continues to proliferate, even as new entrants come into the real estate industry. It seems that the way to the future for real estate companies has been to extrapolate the present. The rapidity of change through the impact of technology no longer allows this luxury. The future is no longer laid out in a predictable curve. Change can occur in any direction, on any magnitude, at any instant. The notion that real estate is a ‘walk-in’ business with the real estate agency as the gatekeeper to the transaction is fraught. Burrus (1993) talks about the challenge of combining the new tools of the technological economy with the new rules of commerce. It should be no different with the real estate business. In the past real estate agencies have been the collectors and storehouse of information on property transactions and market participants have turned to agents to access this information. With the advent and relentless advance of the Internet, this information becomes much more readily available to buyers and sellers, without recourse to the services of an agent. Therefore as described by Wigand, Crowston and Sawyer (2001) it needs to be the agents’ transaction expertise and local market knowledge along with their acquired social network, not their access to proprietary information, that protects their position as steward of the real estate transaction.

Whichever category of real estate agency we examine the shop-front offices seem to be self-perpetuating. In the case of the franchises or cooperatives; it is at the
behest of the governing bodies of those organisations as to the style and form of
the presentation of premises. With Barfoot & Thompson it appears to be a
mentality of that’s what we have always done. We are successful, therefore that is
what we will continue to do. For the small independent boutique category of
operator, I venture they are merely following how everybody else represents
themselves. A striking example is in the image below with an independent company
alongside Barfoot & Thompson in busy New North Road, some 200 metres from Mt
Albert strip shopping centre. With the traffic in this area there is no ability to even
slow down in a motor car, let alone stop to view the window display. Foot traffic is
very low count. Marketers would label this mimicry of display a “me too”
presentation.

figure 10.

The real estate industry does not appear to recognise the anomaly in the way it
continues to house itself in these offices. The technological changes and
applications embraced and daily used by players in the industry has the entire real
estate transaction, from listing a property with a vendor, to selling the property to a
purchaser, all being effected away from and independent of their premises.
The agent or owner of the business is thereby carrying unnecessary attendant operational costs with the style and type of office they are housing their business in.

A real estate company’s most important location may be its address on the World Wide Web.
References


Location, Location, Location, Does it pertain to the Real Estate Office? (May 1997). *New Zealand Real Estate*.


Appendix

Real Estate Practices in the Technological Age

Your answer to Question 1. may have you ticking multiple squares. With the remainder of the survey, where a question is seeking an answer from alternatives offered, please tick only one answer, being your most predominant, in terms of usage, or your strongest opinion.

Two questions, ask you to rate importance on a scale of 1 being the most important and 8 being the least important.

Section One - Aids & Devices

1. Which of the following devices do you have as business tools?

☐ Laptop
☐ Computer
☐ Ipad/Tablet
☐ Smartphone/Computer Link
☐ Ordinary Mobile Phone

Any Additional Comments?  

2. What is your manner of recording appointments?

☐ Handwritten Diary
☐ Computer Only
☐ Smartphone/Computer Link

3. How do you record prospect lists (buyers/buyer needs)?

☐ Handwritten Entry
☐ Computer
☐ Smartphone/Computer Link
4. When a prospective vendor is considering listing a property for sale he/she is more likely to directly approach:

☐ An Identified Successful Sales Person
☐ An Identified Established Real Estate Agency

Any Additional Comments? _______________________________________________________________
____________________________________________________________________________________

5. In your experience such an approach (Q 4.) is more likely to be by way of:

☐ Telephone Call, TXT or E-Mail to Salesperson
☐ Telephone Call, TXT or E-Mail to Real Estate Office
☐ Personal Visit to Real Estate Office

6. Listings are the most essential ingredient for success as a salesperson in the real estate industry

☐ Strongly Agree
☐ Agree
☐ Disagree
☐ Strongly Disagree

7. The most important factors in gaining listings is having the knowledge of current sales activity in comparable properties and being able to personally demonstrate this information directly to the vendor(s).

☐ Strongly Agree
☐ Agree
☐ Disagree
☐ Strongly Disagree
8. After physical inspection and CMA a listing is most likely to be completed?

☐ ☐
At the Property or Workplace of the Vendor
At the Real Estate Office

9. Are you equipped with the electronic capability of working remote from your real estate branch office and able to call up information that will help you secure a sales listing?

☐ ☐
Yes No

Section Three - Marketing

10. Which do you think a vendor rates as the most important toward completing a successful sale?

☐ ☐
The Salesperson and/or Listing Salesperson
The Real Estate Company Salesperson Works For

11. Which do you think a purchaser rates as the most important toward achieving a successful purchase?

☐ ☐
The Salesperson
The Real Estate Company Salesperson Works For

12. Building enduring personal relationships contributes highly to real estate sales success?

☐ ☐ ☐ ☐
Strongly Agree Agree Disagree Strongly Disagree
13. List in importance the following elements contribution to the successful marketing of a property. (1 the highest importance - 8 the least important)

- On-site Billboard/Signage
- On-line Advertising
- Print Advertising
- Open Homes
- Flyers
- Branch Office Window Photo
- Company Logo
- Your Name & Image

Section Four - Offer & Acceptance

14. Indicate on the scale below your agreement or disagreement with the following statement. ‘Apart from an auction, between offer and acceptance the vendor and purchaser, as part of the sales process, are unlikely to be in the same room at the same time.’

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

15. As sales are often subject to offer and counter offer, it is important for timely and separate consultation by the sales person with the parties. This is more easily achieved at the premises of the parties than in a real estate office environment.

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree
16. Please rate in order of importance what does (or will) contribute the most to your image of success in the real estate world?
Rate: (1 the highest importance - 9 the least important)

- The Frequency With Which Your Ads and Photos are Seen by the Public (On-Line or Print)
- The Number of Sold Stickers Over Your Advertisements
- Your Association with the Real Estate Company You Work For
- The Type of Motor Vehicle You Drive
- The Amount of Space Allocated to Your Branch Office Cubicle/Desk
- Where Your Real Estate Office is Situated
- The Quality of Your Real Estate Office Accommodation
- The Number of Photographs of Properties for Sale in the Office Windows
- Your Testimonials - What Other Vendors Have Said About Your Service/ Results

Thank you most sincerely for your contribution in completing this