

**Addis Ababa University**  
**School of Commerce**  
**Factors Influencing Real Estate Marketing Effectiveness and  
Customer Satisfaction**



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**Declaration**

I, the under signed, declare that this thesis is my original work and has not been presented for a degree in any other University, and that all sources of materials used for the thesis have been duly acknowledged.

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## **ACRONYMS**

**AU:** African Union

**EIA:** Ethiopian Investment Authority

**ETB:** Ethiopian birr

**FEACC:** federal ethics and anti corruption commission

**MOUDC:** Ministry of Urban Development and Construction

**NGO:** Non-Government Organization

**UNECA:** United Nation Economic Commission for Africa

## ABSTRACT

*The purpose of this study is to analyze the factors influencing the real estate marketing and customer satisfaction by taking the case of private residential real estate development in Addis Ababa. The study is under taken by reviewing secondary data written on related topics and collecting and analyzing primary data through interview question and survey questionnaires. The primary data is collected from real estate developers and real estate customers. From the developer's side three real estate firms namely Sunshine, Country club developers and Gift real estate's marketing/sales managers are interviewed and self administered questionnaires were distributed to 310 real estate firm customers. The data analysis is performed in quantitative method through descriptive statistics, frequencies, and regression and qualitative method according to respective objective and descriptors. Based on the findings of this research the customers of the real estate are dissatisfied with the current circumstance in the sector. The developers are frustrating with the situation in the sector due to various challenges they are facing such as cost and supply of land, lack of finance, cost and shortage of construction materials, shortage of skilled man power and high labor turn over, narrow target group customer who can afford and lack of support from the government side. The customers on the other side are disappointed with the late delivery and price of the villas. Though, the real estate sector is tied up with lots of deficiencies it has still prospects in the future to benefit every actor in the sector and the country at large, but this is conditional on the improvement of the current shortcomings from every angle.*

## **Chapter One**

### **Introduction**

#### **1.1 Background of the study**

Housing should, as a living environment, guarantee the availability of full-fledge dwelling unit, infrastructure networks (such as roads, water supply, sewerage disposal system, energy supply, telephone service, etc) and community facilities shops, school, health centers, assembly halls, children play grounds and recreational places etc. In pre industrial rural communities, where the cultural level did not require such modern facilities, housing usually meant a simple hut. Unlike such modern urban dweller can't fetch water from rivers and can't use open fields as playing grounds. The urban dweller cannot also use the privacy of forests or bushes for human waste (Yusuf, 2009).

Real estate is land and anything fixed, immovable or permanently attached to it such as appurtenances, buildings, fences, fixtures, improvements, roads, shrubs and trees (but not growing crops), sewers structures, utility systems and walls. Title to real estate normally includes title to air rights, mineral rights and surface rights which can be bought, leased, sold or transferred together or separately (Business dictionary).

Market is basically a creative corporate activity involving the planning and execution of the conception, pricing, promotion, and distribution of ideas, products and services in an exchange that not only satisfy customers' current needs but also anticipates and creates their future needs at profit (Philip K. 2010). Real estate marketing is an exchange of economic and social structure people and groups satisfy their needs and wishes by constructing supplying and interchanging real estate products and real estate services (Knirsch, 2000).

Real estate activities belong to the service sector and are distinct from construction activities. The sector consists of five distinct activities namely, development, dealing, letting, brokerage and administration. These real estate activities may further be broken down in to three categories having sub categories of their own as; real estate activity with own property, including the development and selling of the real estate as well as buying and selling of own real estate; letting of own property, real estate activities on a fee or contractual basis sub categorized in to real estate

agencies and the management of real estate on a fee or contractual basis. The real estate has a fundamental significance to both business and individual (Yusuf, 2009).

The rapidly changing real estate landscape in Addis Ababa is one of the more visible aspects of the extended period of growth recently experienced in Ethiopia. From large residence development sprouting at the city outskirts to rising new office complexes and government built condominiums being constructed in center city location, there is no shortage of new facilities to demonstrate change in this area. Of course, despite all this new construction activity, Addis Ababa like most developing capitals retains large swathes of informal and slum like settlement scattered across the city. Still, over the past decade, the sub city of city dwellers that are now part of the formal real estate market has expanded from a small base and is likely to do so for the foreseeable future (Access capital, sector report-Real estate). This paper thoroughly analyzes the real estate marketing and customer satisfaction in Ethiopia by taking the case of private residential real estate companies.

## **1.2 Real estate marketing in Ethiopia**

One of the most prominent trends in Ethiopia over the last decade has been the explosion of the real estate industry and its impact on the economy as a whole. From residential estates to high rise office buildings, the sector has proliferated urban areas with new construction that together with the ever expanding transportation system promises to completely transform the urban land escape forever in the next five years (Emergent global Ethiopia). The real estate sector has been one of the fastest growing segments of the Ethiopian economy. Indeed, our review of GDP statistics shows that had it not been for the expansion of this sector and the closely affiliated construction sector, Ethiopia would not have registered double-digit economic growth in the past five years (Access capital, 2012).

Real Estate and Construction are two of the 18 sectors according to which Ethiopia's national income (GDP) statistics are reported. Taken together, these two sectors accounted for 14.9 percent of GDP in 2008/09, with real estate comprising 9.1 percent and construction comprising 5.8 percent. According to GDP sector data, real estate and construction sector grew—in real terms—by an annual average of 14.1 and 10.4 percent per year respectively in the past five years to 2008/09. This is somewhat above the average annual growth rate of real GDP during this period (11.4 percent), indicating a rise in the share of these activities within the overall economy. In fact, of the average 11.4 percent real GDP growth in the last five years, construction and real estate taken together provided 1.5 percentage points of the overall growth rate. Put differently, had it not

been for growth in these two sectors, real GDP growth would not have reached the double-digit growth rates recorded over the past five years (Access, 2012).

Data on investment registrations at the EIA, which give a measure of new investor intentions, provide another metric of observing trends in the real estate sector. On this score, one observes that there was particularly rapid growth in real estate related investment plans in 2004 and 2005 following which investor interest declined during the years from 2006 until mid-2009. For the decade-long period, namely considering new investor intentions in 2001 versus that in 2009 (Birr 2.2 billion versus Birr 17.6 billion), the annual average growth amounted to 49 percent.

In Ethiopia real estate form of urban development commenced in the mid 1990's. At the start working, living, and recreational space producers were users themselves. When real estate development becomes an economic sector on its own, curiously, it started its operation in the housing sector. The reason for such a move are neither clear nor are the operation of the real estate development documented (Berhanu, 2004).

Table 1.1 Real estate renting and business activities (Hamele 1984 - Sene 1998 E.C.)

	Ethiopia	Addis Ababa	Share of Addis Ababa
Total licensed	5,061	3,390	67%
Operational project	559	381	68%
Under implementation	169	112	66%
Under pre- implementation	4,131	3,198	77%
Operational/ total	11%	11.2%	
Under implementation/total	3.3%	3.3%	
Pre- implementation/total	81.6%	94%	

The above table shows that projects which have become operational and those that are under implementation are very small in number when compared to the total number of projects approved with the period specified. In this regard, only eleven percent of projects approved become operational while only 3.3% were under implementation. Thus, the actual implementation of real estate projects has been sluggish, access to serviced urban land being one of the limiting factors. The situation is more severe for Addis Ababa than other towns as more than three quarters of the real estate projects linger at the pre-implementation stage.

It was after 1992 that strides were made in this category of investment. Following the lifting of capital ceilings, the broadening of investment areas open to private sector participation along with equal access to credit and establishment of the Ethiopian investment authority and investment bureaus, a number of investment certified on real estate have been issued (Yusuf, 2009). Investors in real estate, renting and business activities have been steadily increasing since the early ninths. The number of certificate issued for real estate development was a mere 33 in 1987 E.C. This steadily grew to 121 in 1993 E.C., and jumped to 1,734 in 1994 E.C. The highest recorded figure for real estate development was in 1998 E.C. when 2,328 projects were licensed. This is a clear manifestation of how much the demand for the real estate development, renting and business activities has been increasing over the years. Addis Ababa accounts for more than the two third of the increase in the demand for urban land for real estate development. Addis Ababa share out of about 5,000 projects licensed in the real estate development in the country over the last 15 years was some 3,390 or 67% (Yusuf, 2009).

### **1.3 Housing Development in Ethiopia**

Addressing a housing problem is not a simple task, as many think, as it is embroiled with macroeconomic imbalance, political and legal framework, household's affordability and investment capacity of a given country. It also requires a long term projection and assessment considering even the effect of global dynamism.

Real estate development is linked with specialization; that a person or a firm develops land and property for sale or rent. Real estate development is intrinsically linked with land; hence the mode of land ownership affects its operation. The issue of socialization places real estate development as an urban activity. Therefore, the history of real estate development in Ethiopia is related with urbanization and urban land ownership. In Ethiopia urbanization is basically at subsistence level, i.e. similar to rural areas, everyone produces spaces for his own needs, that no (or little) finance is involved and property rights are simple social contracts that guarantee use rights without a representation. Simple social contracts could oblige a property holder to respect the right of others in return for a similar right over one's property. However, in modern society property rights have standard representations that enable owners to trade in whole or parts of the rights (Yusuf, 2009).

In fact, the unplanned growth of most urban areas is a reflection of the state of real estate development in Ethiopia. Real estate development, especially those that are developed for sale, required formal operations. The prevalence of informal developments shows the low level of development of real estate form urban growth.

During the private landownership period, most landlords sold parcels of land for individuals who wanted to build houses. The producers of built up space were mostly the occupiers; this is still the case in most urban centers in the country, especially for housing. Where space for rent was produced the developers were mostly the landlords themselves. Except for the few modern buildings in central area of cities, landlord developed estates had neither planning permission nor building permits. In most cases the development of traditional ‘Chicka’ houses was done without bank loan. The positive aspects of this, mode of development were the ability of the system to utilize traditional means of mobilizing project finance and the high accessibility of rental houses to residents. However, this manner of development has had draw backs;

- ✓ The development lacked planning and building permission, hence posed difficulties for urban management
- ✓ Houses were below standard in terms of size, space organization , construction and infrastructure, hence, pose health and safety hazards
- ✓ Promoted rental housing, subsequently raising urban maintenance problem after they were nationalized
- ✓ Maintained monopoly on land real estate in the hands of very few landlords, hence slowed the transition of the economic order to a modern system

#### **1.4 Statement of the problem**

Consumers undertake complex buying behavior when they are highly involved in a purchase and perceive significance differences among brands. Consumers may be highly involved when the product is expensive, risky, purchase infrequently, and highly self expensive. More complex decisions usually involve more buying participants and more buying deliberation. These buyers will pass through a learning process, first developing beliefs about the product, then attitudes, and then making a thoughtful purchase choice (Philip K. 2010).

As a key component of the national economy, the real estate sector exists in the form of several distinct businesses. Each of which may be considered as an industry of its own right with distinct economic logic and fundamental attractiveness. Therefore the real estate sector has a greater significance to individuals business and the society at large. With this respect the growth of the Ethiopian real estate market is evidenced markedly in the past two decades more than any other sector in the economy (Yusuf, 2009).

As in many countries in the world the Ethiopian real estate has been booming for much of this decade. In many areas price doubled and even tripled in a span of few years, and the concern to households in lack of adequate affordable housing. The Addis Ababa real estate market is based mainly on Ethiopian Diasporas and high class. With the excess of housing needs and inadequate existing supply for housing (aggravated by the long construction periods), prices are unaffordable by most of the households in Addis Ababa. Construction quality, and failures to delivery as per the contract is also poor that are affecting customer satisfaction (UN HABITAT, 2010).

Housing is one of the major problems prevailing in Addis Ababa and other cities and towns across the country. The shortage of housing in cities is very serious that it is estimated to reach over 1 million. Even though there is a development recently in supply by both the government and private real estate companies, there is still huge gap between housing need of Addis Ababa residents and the supply. With an estimated increase of population by 400,000 every year in Addis Ababa, the required marginal housing need will be more and more than the available supply estimated (UN HABITAT, 2010).

According to a report on Fortune news paper (2012), despite the promising growth, the sector is facing challenges and discontents are raised from the stakeholders i.e. customers, real estate developers and concerned government offices. Extremely long delivery times (sometimes as long as 6 years) poor quantity, high price and lack of infrastructures are problems of the current real estate sector in Ethiopia. This day's real estate buyers are highly dissatisfied with the work of most of the Ethiopia real estate developers and losing confidence and trust.

On the other hand the real estate developers also complain about the situation in the market due to the supply and price of land; as land in Ethiopia is the property of the state and can generally be acquired only on the basis of lease which has its own shortcomings particularly affecting the real estate sector. Also, availability and cost of material, lack of supporting infrastructure, shortage of skilled man power, high labor turn over, narrow target group of customers, lack of support from the government side etc. are the problems from the developers side (Fortune, 2012).

In general, the real estate sector in Ethiopia encounters a number of draw backs which are hindering its growth and resulting in the society and the country to suffer from the inefficiency and ineffectiveness in the real estate business since a large amount of resources, energy and time is invested in it. Similarly, as the African continent is booming and alongside the strong economic growth rates registered in the past decades, empirical evidence has shown that the African middle class has been growing too. According to recent research by the African Development Bank, the continent's middle class has reached 34.3% of the population in 2010, up from 26.2% in 1980. In

Kenya, it encompasses 44.9% of the population. This phenomenon has been accompanied by rapid urbanization and strong growth in consumption expenditure and demand for certain types of goods and services. Housing demand has not, and will not, remain idle to these changes (UN HABITAT, 2010).

Besides, to the best knowledge of the researcher, there has not been an empirical study conducted in Ethiopia as well as in Africa that investigates the determinants of real estate marketing effectiveness and customer satisfaction. This study, therefore, attempts to come up with empirical evidences that would contribute to the literature in the stated area.

## **1.5 Research Questions**

**The main research question is;**

- What is the relation of real estate market effectiveness on customer satisfaction?

**Sub research questions;**

- Does the construction quality of real estates in Ethiopia is satisfactory to customers?
- How do real estate customers evaluate the fairness of the price of residential villas in Ethiopia?
- Are customers satisfied with the delivery time of villas by real estate construction companies?
- How do real estate customers evaluate the convenience of the location of the villas?
- Are sales personnel credible to real estate customers?

## **1.6 Objective of the research**

### **1.6.1 General objective**

Broadly these studies assess factors that influence the real estate market effectiveness on customer satisfaction.

### **1.6.2 Specific objective**

- To identify the effectiveness of real estate market in Ethiopia and how it affect customer satisfaction.
- To evaluate the construction quality of real estate developers in Ethiopia.
- To point out how customer evaluate the fairness of the price of the residential villas.

- To examine customers satisfaction with the delivery time of villas by real estate construction companies.
- To identify the convenience of location of the villas.
- To evaluate the sales personnel credibility to real estate customers

### **Hypothesis**

To assess the factors influencing the real estate market effectiveness and customer satisfaction, the researcher proposed the following hypothesis from the research objective.

**H<sub>1</sub>:** construction quality of the villas has a significant and positive relationship on customer satisfaction.

**H<sub>2</sub>:** price of the villas has a significant and positive effect on customer satisfaction.

**H<sub>3</sub>:** Delivery reliability has a significant and positive relationship on customer satisfaction.

**H<sub>4</sub>:** Location convenience has a significant and positive relationship on customer satisfaction.

**H<sub>5</sub>:** Sales person credibility has a significant and positive relationship on customer satisfaction.

### **1.7 Significance of the Research**

The research provides a clear picture of the real estate market and customer satisfaction of different real estate in Addis Ababa. And the study apparently present the underlying factors that contribute to the problems exhibited in the sector and suggest on improvement. The study enhances the knowledge of the researcher with regard to the concept of real estate market. The research also benefits new real estate companies who are going to join the real estate sector of the country. Furthermore, the research lays a ground for further studies on similar topics.

### **1.8 Scope of the study**

A complete market analysis typically consists of an investigation of demand, an assessment of recent changes in supply and an attempt to relate demand and supply in a set of conclusions about the demand. A complete market analysis would require too much time and resource for which, it will require resources above the researcher's capacity. Therefore, the study will be a learning paradigm for real estate developer on market effectiveness and customer satisfaction.

With regard to data collection there are over 5,000 licensed real estate companies in Ethiopia, under this Addis Ababa share is 3,390. Under the licensed companies the target population of operational real estate entities in Addis Ababa is 381, among which most are very young and not completed any sales or deliver a house up to now. That means, very few have passed through the market.

Therefore, the research covers the private residential real estate development and market practice with respect to customer satisfaction by taking the case of the major real estate companies in

Addis Ababa which are Hayat real estate, Sunshine real estate, Gift real estate, Flintstone real estate, Country club development and Roback real estate customers.

### **1.9 Organization of the study**

This paper has five chapters. The first chapter deals with background information, statement of the problem, basic research questions, objective of the study, significance of the study, hypothesis, and scope of the study. The second chapter deals with review of literature. The third chapter discusses the utilized methodology. In the fourth chapter, presentation, analysis, interpretation and summary of major findings are discussed. The last chapter consists of the conclusion and recommendation parts.

## **Chapter Two**

### **Literature Review**

The theoretical framework of this study focuses on real estate market with regard to the meaning of core concepts i.e. real estate, real estate market and characteristics of real estate market. The empirical review section thoroughly covers research and reports previously done on real estate and related issues, specifically on the historical background of the real estate practice in Ethiopia, the current performance of private real estate sectors, its contribution in the country.

#### **2.1 Real Estate**

Broadly defined, real estate refers to land and everything made permanently apart thereof, and the nature and the extent of one's interest there in (Business Dictionary, 2006). Modern definition focus on the fact that a real estate refers to the land and fixtures together, as distinguished from real property, referring to ownership rights of the land itself. A contemporary definition of real estate is provided by investors; real estate is a term that encompasses land along with anything permanently affixed to the land, such as building, specifically property that is stationary or fixed in location (Thomsett and Thomsett, 1994).

Real estate is property comprised of land and the buildings on it as well as the natural resources of the land including uncultivated flora and fauna, farmed crops and livestock, water and minerals. Although media often refers to the "real estate market" from the perspective of residential living, real estate can be grouped in to three broad categories based on its use: residential, commercial and industry (Alan G, 2015).

Real estate includes entities such as residential homes, raw land and a variety of forms of income property, including warehouses, offices and apartment buildings and condominiums. Considering the similarity, all the authors define real estate real estate as land that is identifiable and tangible. They further included all fixtures, improvements and buildings that are permanent to the land are to be considered as real estate (Rassman, 2000).

Real estate may be acquired, owned and conveyed (or transferred) by any legal entity as determined and defined by law. This entity may take the form of individual business and non-profit corporations. The real estate market on the other the other hand it is the market that encompasses all transactions, which involves dealing in rights or interests in land and buildings. A dealing here is used to refer to the transfer of right temporally or permanently from one part to another in return for a consideration, usually money. By a definition a market is the mechanism or arrangements through which goods and services are traded between market participants (UN HABITAT, 2007).

Real estate generally contributes to a country's economic development as a result of a corresponding growth in the demand for materials, labor inputs and backward and forward linkage affects in the economy. Despite the fact that in Ethiopia urban land and housing was largely the property of the federal elite under the imperial era and the coming in to effect of a proclamation on urban land and extra houses during the Derg regime; the incumbent government has introduced a market oriented approach to housing development since transaction in 1991. With the introduction of the urban land lease holding proclamation in 1993, the government

defined leasehold as the tenure form of choice. The period of lease varies from 99 years for owner occupied holding to 50 years for commercial and other uses (proclamation no. 80/1993). In addition to the land lease law, other measures have contributed to the liberalization of the real estate market (Abrham, 2000).

### **2.1.1 Basic Types of Real Estate**

Mainly there are two types of Real estate operations which also include many segments under each. The basic types are indicated below:

#### **Residential**

- ✓ Multi-Family,
- ✓ Single-Family

#### **Commercial**

- ✓ Land (All Types)
- ✓ Retail
- ✓ Agricultural / Industrial
- ✓ Office
- ✓ Special Purpose

Properties are divided into two income property and speculative property. Income property includes residential and commercial properties that are leased out and expected to provide returns primarily from periodic rental income. Residential properties include single family properties (houses, condominiums, cooperatives, and townhouses) and multifamily properties (apartment complexes and buildings). Commercial properties include office buildings, shopping centers, warehouses, and factories.

Speculative property typically includes raw land and investment properties that are expected to provide returns primarily from appreciation in value due to location, scarcity, and so forth, rather than from periodic rental income. Income properties are subject to a 15 number of sources of risk and return. Losses can result from tenant carelessness, excessive supply of competing rental units, or poor management. On the profit side, however, income properties can provide increasing rental incomes, appreciation in the value of the property, and possibly even some shelter from taxes. Speculative properties, as the name implies, give their owners a chance to reap significant financial rewards but carry also the risk of heavy loss. For instance, rumors may start that a new multimillion-dollar plant is going to be built on the edge of town. Land buyers would jump into the market, and prices soon would be bid up. The right buy–sell timing could yield returns of several hundred percent or more. But people who bought into the market late or those who failed

to sell before the market turned might lose the major part of their investment. Before investing in real estate, you should determine the risks that various types of properties present and then decide which risks you will accept and can afford (Kiros A, 2009).

## **2.2 Real Estate Market**

The concept of exchange and relationships lead to the concept of a market. A market is the set of actual and potential buyers of a product. These buyers share a particular need or want that can be satisfied through exchange relationships. Marketing is a social and managerial process by which individuals and organizations obtain what they need and want through creating and exchanging value with others. In a narrower business context, marketing involves building profitable, value laden exchange relationships with customers. Hence, marketing is defined as the process by which companies create value for customer and build strong customer relationships in order to capture value from customers in return (Philip K. 2010).

The starting points of real estate market are the different human needs and wishes. Food, water, air, clothes and housing are basic needs anchored deeply in human nature. Demands of specific real estate products and services result from fundamental physiological needs but also from attempt to recognition and self realization. Wishes are often desires for satisfaction of individual needs. For example, a young family father is in need of a house and rents a three room apartment; another wants acceptance and recognition and thus buys a luxury pent house (Knirsch, 2000).

In having a few desire people's wishes are various. These wishes are permanently formed and alerted by society. Needs or wishes may produce demand, provided that there is readiness for purchase, for renting or for claiming service. That is why real estate market doesn't only have to analyze possible needs and wishes of customers but also to find out how many people or institutions are actually willing or capable of satisfying them (Knirsch, 2000).

A real estate market has to be regarded in amore differentiated way. It consists of dissimilar regional part markets. In general there are five types of different parts markets;

- Residential property e.g. villas, detached house, terraced houses etc.
- Commercial/ factory property e.g. office buildings
- Industrial property e.g. plants, warehouse
- Agricultural properties e.g. farms
- Special property e.g. hotel, cinema, fitness studio etc.

Effective market is a key to survival and growth of any sales based Business Company. That is why market strategies have become a significant function of success in today's competition business environment. The meaning of market is not only selling the product, it also encompasses

company's orientation on customers need (Philip K. 2006). According to a number of market authors, the degree to which an organization demonstrates a market orientation will determine the effectiveness, with which the market concept is implemented by that organization and the degree to which the results will impact on the firm's performance (Byron and J. Paliwoda, 2001).

Real estate sector in global sector is developing day by day and correspondingly the profitability of the sector is rising therefore, it is critical to improve real estate market strategies. The way of market of real estate is an important issue for the seller, as it may affect market costs, the selling price and the market time of the property (Ihtiyar, 2011). Superior performance by a successful firm mandates that both market-oriented (an orientation toward creating value for the customer and the firm by meeting customer needs) and entrepreneurial-oriented (an innovation focused-orientation) activities take place (Ihtiyar, 2011).

### **2.3 Characteristics of Real Estate Market**

Real estate commodities are created through a process of land conversion from one use to another. The conversion could be from agriculture to urban use or from one category of urban use to another. Conversion, thus involves development or redevelopment of land or land use. Real estate is a land in its developed form. It is a land and all permanent improvements on it, including building. Raw land that is not put to use of any kind has no value, but it is a resource with latent use value (Berhanu, 2004).

Real estate is durable since the buildings can last for many years while the land it stands on is indestructible. Land is fundamental for real estate business. In the absence of adequate land reserve, a real estate developer will lose opportunities and its business may have to be suspended. Available land in urban areas is becoming increasingly scarce and expensive. Real estate firms with no land reserve in an urban area will find themselves in a disadvantaged position (Vera, 2000).

Real estate development is resource intensive. Finance is the most critical element of successful property development. The funds needed for the development of a real estate project are considerable and are used mainly for land acquisition and construction (Vera, 2000).

Real estate development is an expensive activity; in most cases it requires borrowing funds. Real estate developers could start their operation by acquiring raw land or may buy an already serviced land from land lords. Depending on the situation, the cost of development may include land cost, land development cost (surveying, preparation of sub-divisions plan, approval, servicing), actual

building construction cost, disposal costs (broker fee), and cost of borrowed money. It follows from this that the existence of an efficient loan finance system is critical for real estate development (Berhanu, 2004).

Real estate development involves long and complicated contractual process with numerous participants from various business sectors. The production process in real estate involves number of lengthy activities such as; site acquisition, site survey and formation, securing planning consent, arrange financing, design construction and marketing (Vera, 2000). Due to this lengthy and involved process, various risks such as, changes in governmental policies, changes in interest rates and changes in the market environment will surface (Berhanu, 2004).

To succeed in real estate development, much preparation is required including acquiring a deep understanding of relevant public policy, physical planning, municipal regulations, market conditions, site appraisal, economic evaluation financial requirements, contractual procedures, building design, construction technique and market strategies. Additionally a professional approach to project management is necessary to coordinate schedule, quality and cost. All of this adds up to yet more demands on the real estate developer's management expertise (Vera, 2000).

#### **2.4 Real estate where lies its problems**

- **Delivery** - The real estate boom seen over the past decade and half was not without challenges. The industry is bogged down by delivery problems, much to the frustration of buyers making half or full payments upfront. The problem has led officials at the city administration to suspend real estate firms for around eight months in 2010. They claimed to have stumbled on a dismal performance of 14% progress in construction, on plots it had leased as way back as 2005/2006 (Elleni, 2012). Investigation of real estate form of housing delivery in Addis Ababa indicated the presence of various issues that need attention. There is no regulatory framework to control operations, the level of subsidy necessary for the sector is unregulated property rights of real estate investors and end users are unclear. Moreover, real estate developments provide for the high income groups its prospects for the middle and low income group which make up the majority of inhabitants of urban areas are under documented. The consequences of such situations on the prospect of real estate development as a form of housing supply are unclear (Berhanu 2004).

- **Affordability is a critical issue** - Literature shows that, after the Addis Ababa caretaker administration 2.7 million square meters land offer for real estate developers joined the market and look advantage of these offer. Practically all of these developers were focused on the high end of the market to the determinant of its lower tiers where the overwhelming portion of housing needs was present. Sixty to eighty percent of their buyer was from the Diasporas reflecting the tremendous gap in the time and what the vast majority of affordability between offerings at Addis Ababa residents could afford (Access capital, 2012). Based on a survey conducted by Access capital, the sales price for even the modest homes exceed birr 1 Million in many Addis Ababa residential neighborhood, where average sales price for large homes (with 1000 square meter and four or more bed rooms) are now routinely above ETB 7 million in the most expensive neighborhoods. In the same high end neighborhoods, rental rates are in the range of ETB 30,000-40,000 per month for large homes. From across country perspective home price and rents are beginning to match or exceed the levels seen in African countries with much higher income than Ethiopia (Access capital, 2012). Ever since the pioneering engagements by companies such as Jackros Ethiopia and Ayat real estate, 15 years ago there has been no specific law governing the industry and hardly any executive oversight. However, there are over 15,000 units of villas and flats built during this period estimated to have consumed over 30 billion br. according to official data (Araya 2012). According to a report on fortune newspaper (2012) following these malfunctions in the industry the government has designed a bill titled “Real estate development and marketing proclamation” which was presented for consultation with the stakeholders on October 2012. With the size of indignant homebuyers swelling due to failure to comply to purchase c contracts, the bill is designed to discipline unruly real estate developers (Araya, 2013). The bill also suggests very strict provisions for sales. No real estate developer can register home buyers larger than the plot it acquires can accommodate. Nor can it sell and collect advance payments without first acquiring title deeds of a plot. All contracts between homebuyers and real estate’s should also be notarized by an appropriate government agency, the bill says. But a title deed for plots is not just needed for sales but also for marketing and promotion a real estate developers may put out through the media .Such promotional activities would first have to present for the city administration, a provision in the bill states. No homes are to be transferred without 50 percent of the construction being completed (Araya, 2013).

It covers issues ranging from contractual agreements between home buyers and real estate developers, the issuance of licenses land and space usage; as well as transfer of finished houses. It details obligations of the government as well as developers. Another article in the bill states that developers that breach any provision in the proclamation may get their license revoked. Further directives and regulations may also come up with detailed penalties according to the bill. However, the bill falls short of detailing specific penalties for poor quality and late delivery of homes although it places several rigorous requirements on developers in their dealings with clients (Araya, 2013). The ministry of urban development and construction (MOUDC) presented the revised bill to around 20 real estate firms and officials from the federal ethics and anti corruption commission (FEACC). According to the bill, developers can only extend the delivery schedule of houses by 50% of the contract period such extensions will also still leave the developer liable for damages incurred by clients. The draft has also put forward more several consequences for not following the revised provisions. A violating party will be subject, not only to civil code articles concerning non-performance of contracts but also additional penalties to be further detailed in future directives by the MOUDC (MOUDC, 2010).

Amidst the increasing failure to honors contracts, the Addis Ababa city administration surveyed the 125 real estate companies that had leased land in 2010. These firms which had a total of 550 ha of land between them only had a 14 percent compliance rate when measuring the construction progress according to the survey. According to Addis Ababa administration survey report (2010), most real estate firms who secured land for real estate development are not operating in full capacity in which some put the bare land without any construction not even a fence, some started construction only for the sake of securing the land and some other even transferred the land illegally to third party (MOUDC, 2010).

Various level of ambiguities are observed in the relationship between developers and the city government the developer and its customers and between customers and the city government. Real estate developers seem to assume that once they had taken land they could do whatever they want that is profitable within the margins of legality. Government officials view real estate developments as big housing cooperatives and the different authorities seem to expect loyalty and even favors until 2002 customers of real estate developers were viewed as individuals who have bought a property in any part of the city and they were required to pay transfer taxes and different duties .Real estate developers were also expected to pay capital gains tax, although it took a decade to rectify the situation. Proc. No. 272/2002 has addressed the issue of capital gains tax (Berhanu, 2004).

However currently the Ethiopian government is planning to form a direct regulatory body and will be called the real estate execution desk. At the federal level, the desk will be set up at the ministry of urban development and construction while regional governments and urban administrations will also have the duplicate of the execution desk to play a direct supervisory role towards the real estate development industry which has largely remained a private sector affair so far. The execution desk is the one empowered with the preparation of a draft directive that will be governing the sector and doing the follow up work for its implementation. Furthermore, the desk will also be doing all the coordination work among governmental offices, regional administrations and other relevant entities regarding the issue of real estate in the country (Seyoum, 2013).

## **2.5 Empirical Studies**

Yannis Arvanitis (2013) conducted a study on African Housing Dynamics: Lessons from the Kenyan Market. Yannis put key conclusions and recommendations include use of alternative building solutions: the market needs to be educated to accept different building solutions which are more suitable cost-wise to reaching medium/lower income segments. Local government support helped to allow for the effective supply of off-site infrastructure and land servicing (i.e. development of trunk infrastructure, water & sanitation, etc.) needed to support real estate development.

Araloyin, F. M. and Olatoye O. (2011) analyzed the real estate consumers' perception of service quality in estate agency practice in Lagos metropolis by indicating the role of real estate consumers in estate agency practice cannot be over-emphasized. They are involved in service production and affect the overall service delivery. This study provided an analysis of the real estate consumers' perception of service quality in Lagos metropolis, Nigeria for the purpose of creating better consumers' satisfaction and improving service quality in the real estate agency market. The data collection instrument adopted for this study was self-administered questionnaires. A survey of 203 real estate consumers revealed what real estate consumers actually value in real estate agency service delivery but are lacking on the part of real estate agents. Findings indicated five key components to consumers' satisfaction in real estate agency in the study area. These components are: "courtesy", "provided service as promised", "frequent communications", "exact time services would be performed" and "personal attention". These components contribute to consumers' satisfaction and the ability to attract repeat businesses in real estate agency in Lagos metropolis.

In relation to housing pricing, James A. Kahn (2008) studied on drives housing prices. This paper developed a growth model with land, housing services, and other goods that is capable of

explaining a substantial portion of the movements in housing prices over the past forty years. Under certainty, the model exhibits a balanced aggregate growth, but with underlying Sectorial change. The paper introduces a Markov regime-switching specification for productivity growth in the non housing sector and shows that such regime switches are a plausible candidate for explaining—both qualitatively and quantitatively—the large low-frequency changes in housing price trends. In particular, the model shows how housing prices can have a “bubbly” appearance in which housing wealth rises faster than income for an extended period, then collapses and experiences an extended decline. The paper suggested that the current downturn in the housing sector was triggered by a productivity slowdown that may have begun in 2004, an event that could reasonably have been viewed as highly unlikely by investors and mortgage issuers in the early part of the decade.

Regarding to service quality in real estate, Mang’eli Anthony Muta (2009) studied on investigation in to Service quality determinant and Their Effectiveness in real estate in Nairobi. The paper indicated that service in real estate agency is any act or performance that a party can offer to another that is essentially intangible and results in the ownership of a right or interest. Its production may or may not be tied to a physical product. Quality on the other hand is the totality of features and characteristics of a product, or a service that bears on its ability to satisfy stated or implied needs. This definition has been advanced to encompass the totality of characteristics of an entity that bear on a product’s ability to satisfy stated and implied needs of the customers. Service quality has been termed as the extent to which a service meets customers’ needs or expectations. It can thus be defined as the difference between customer expectations of service and perceived service. This study applied the service quality model developed to the real estate agency industry for the purposes of identifying determinants of service quality, determine whether property buyers’ service expectations are congruent with their perceptions of service rendered by estate agents, determine whether the determinants and perceptions of service quality perceived by estate agents are consistent with those perceived by property buyers, evaluating the level of service quality delivered and investigating possible methods of improving service quality in the sector. Analysis of property buyer response patterns about expectations of service indicate that the determinants of real estate service quality are service assurance, responsiveness, tangible service characteristics, reliability of service and service empathy. Service quality was found to be delivered in areas of service empathy and tangible product characteristics. However, service quality fell below expectations in the areas of service assurance, reliability and responsiveness. Performance feedback and evaluation have been identified as necessary measures to improve

service quality because they provide a base for implementing corrective behavioral attributes and improving future service quality. Possible causes of poor service delivery and specific intervention measures for improving service quality have been advanced in the study.

Similarly, Yu-Je Lee, Ching-Yaw Chen, Lung-Yu Chang and Kiat Udomjarumanee (2009) studied on comparison of service quality perception in Real Estate brokerage between Taiwan and Thailand. This study aimed to compare customer perceptions about service quality of real estate brokerage firms in Thailand and Taiwan. The results indicated that: (1) all five dimensions of SERVQUAL scale have significant impacts on consumer perception in both countries; (2) the five dimensions' weight ranking order is not the same in both countries; and (3) There was no significance difference between respondents from both countries in total service perception on their respective country's brokerage service except for minor differences in Tangible and Assurance factors.

Alexander Preko, Samuel Kwami Agbanu, & Mawuli Feglo (2014) conducted a study on service delivery, customer satisfaction and customer delight in the Real Estate business. It indicated as businesses now focus more on how to create customers, retain and maintain customers through quality service delivery, customer satisfaction and customer delight. The purpose of the study was to identify whether customer delight and customer satisfaction depend on service provided by an organization. The study revealed that service delivery is significant to customer satisfaction customer delight. Further findings in the study also revealed that there is a positive correlation between service delivery and satisfaction, and satisfaction and customer delight. It is therefore recommended that, the Elite Kingdom should move away from the basic understanding of customer satisfaction to delighting customers which might pave the way for repeat purchase among customers of the organization.

J. Joseph Cronin, JR., Michael K. Brady, G. Tomas M. Hult (2000) assessed the effects of quality, value, and customer satisfaction on consumer behavioral intentions in service environments. The following study both synthesizes and builds on the efforts to conceptualize the effects of quality, satisfaction, and value on consumers' behavioral intentions. Specifically, it reported an empirical assessment of a model of service encounters that simultaneously considers the direct effects of these variables on behavioral intentions. The study was built on recent advances in services marketing theory and assesses the relationships between the identified constructs across multiple service industries. Several competing theories are also considered and compared to the research model. A number of notable findings were reported including the empirical verification that service quality, service value, and satisfaction may all be directly related to behavioral intentions

when all of these variables are considered collectively. The results further suggested that the indirect effects of the service quality and value constructs enhanced their impact on behavioral intentions.

## **2.6 Variables**

### 1. Construction Quality

- Usage of strong construction material and construction equipment
- Usage of up to date technological facilities
- Effectiveness of sanitary electrical and finishing works
- Construction quality is the reason you choose the real estate company

### 2. Price

- Payment schedule
- Trustworthiness of the company to pay the down payment
- Price of the villas
- Price is the reason you choose the real estate company

### 3. Delivery Reliability

- Delivery as per the contract
- Failures to deliver as per the contract
- Delivery reliability is the reason you choose the company

### 4. Location convenience

- Availability of infrastructure in the neighborhood
- Convenience for transport
- Availability of facilities such as health center shopping area, recreational places and other social services
- Location is the reason you choose the real estate

### 5. Sales person credibility

- Sales persons of the company keeps the promise they made
- Sales persons are well trained
- Sales persons of the company collects customer feedback
- Sales person credibility is the reason you choose the real estate

### 6. Related to Customer Satisfaction

- satisfied with construction quality of the real estate offerings

- satisfied with price of the real estate offerings
- satisfied with the delivery reliability of the real estate
- satisfied with the location of the villas
- satisfied with the sales person credibility of the company
- Overall satisfaction on the performance of the real estate company

## 2.7 Conceptual framework

Based on the related literature review the conceptual framework was developed. The framework shows the variables of the study which include construction quality, price, location, sales person credibility and delivery reliability as the independent variable that affect the customer satisfaction (dependent variable).

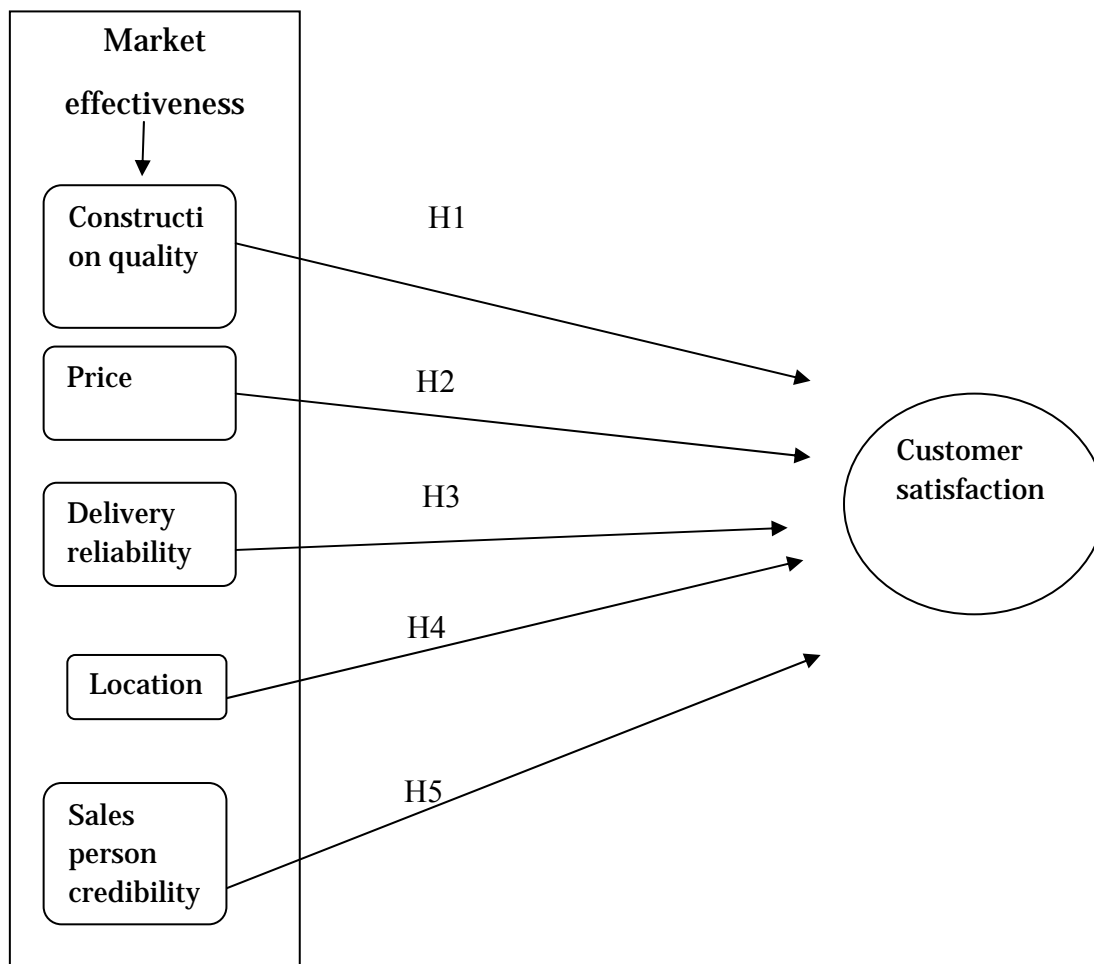


Figure 2.1: Conceptual framework (Source: own survey, 2016)

## **Chapter Three**

### **Research Methodology**

This chapter deals with the research design and methodology that are used to achieve the objective of the study. Research design, population of the study, sampling design and sampling technique, sources and instrument of data collection, procedure of data collection and method of data analysis are discussed.

#### **3.1 Research approach**

In order to meet the research objectives, the researcher uses both qualitative and quantitative research method. A qualitative research is applied to get insight and understanding of the situation in the real estate sector of Ethiopia. And a quantitative research method is used to thoroughly examine the link between the variables of the study, that are construction quality, price, delivery reliability, location convenience and sales person credibility as independent variable and customer satisfaction as dependent variable. This research used explanatory research design. An explanatory is used to identify any casual links between the variables that pertain to the research.

#### **3.2 Population of the study**

The population of the study was selected from the real estate companies that are found in Ethiopia. There are over 5,000 total licensed real estate companies in Ethiopia. Among them 3,390 are found in Addis Ababa but only 381 are operational project, among which most are very young and not yet completed any sales up to now. Therefore the target population of this study includes customer of companies that are pioneer and have the most experience. The population covers customers of the major real estate companies including customers of Hayat real estate, Sunshine real estate, Enyi real estate, Gift real estate, Flintstone real estate, Country club development, Roback real estate, customers.

As indicated on chapter one, in Ethiopia real estate form of urban development commenced in the mid 1990's. The reason for such a move are neither clear nor are the operation of the real estate development documented (Berhanu, 2004). Based on this time to date, Berhanu indicated that the major real estate companies including customers of Hayat real estate, Sunshine real estate, Enyi real estate, Gift real estate, Flintstone real estate, Country club development and Roback real estate. The customers were sampled to fill out the survey question prepared to analyze customer

opinion, attitudes and satisfaction level towards the real estate sector. And willing company marketing/sales managers are interviewed to get insight and understanding about the situation in the real estate sector of Ethiopia.

### **3.3 Sampling design and sampling technique**

The researcher used multi stage sampling system for choosing the real estate companies and customers. For choosing the real estate companies the researcher first divides the real estate companies by geography. There are over 5,000 licensed real estate companies in Ethiopia and 3,390 are found in Addis Ababa. Among them only 381 are the operation projects, but most of them are very young and did not deliver any houses yet. The researcher used purposive sampling and chooses the real estate companies that are found in Addis Ababa because the pioneers and most experienced are found in the capital city. The researcher chooses Ayat real estate, Sunshine real estate, Gift real estate, Flintstone real estate, Country club developers and Ropack real estate that have ten and more years of experience.

The researcher used convenience sampling method for choosing the real estate customers. Customers are sampled from their actual living neighborhood for those real estate sites already delivered. From each real estate neighborhood and sites on average total number of 64 accessible and willing real estate customers (based on random sampling) were selected to fill out the questionnaire.

### **Sample size Determination**

The sample size determination was based on the following calculation and sampling formula.

$$P = q = \frac{1}{2} = 0.5 \quad e = 0.05 \quad z = 1.96 \quad N = 600$$

$$\begin{aligned} n &= \frac{z^2 pq N}{e^2 (N-1) + z^2 pq} \\ &= \frac{(1.96)^2 * 0.5 * 0.5 * 600}{(0.05)^2 * (600-1) + (1.96)^2 * 0.5 * 0.5} \\ &= 384 \end{aligned}$$

### **3.4 Sources and instrument of data collection**

Information gathered from both primary source and secondary sources. From the primary data sources survey questionnaire and interview is used. The survey questionnaire is designed to gather the opinions and satisfaction level of the real estate customers, in which both close and open ended questions, is included. The satisfaction level of the customers is measured using five

attributes of the real estate service these include, construction quality, price, delivery reliability, location and sales person credibility.

And a five point likert scale ranging from 1 highly dissatisfied, 2 dissatisfied, 3 neutral, 4 satisfied, 5 highly satisfied is used to measure the respondent satisfaction level with respect to the five components of the real estate service/ product. The selected major real estate marketing executives were deliberately selected for interview based on the prepared questions that were designed to get insight about the real estate sector situation. From secondary sources were taken from journals, articles, news paper articles and research paper written on real estate marketing in general and in Ethiopia real estate sector in particular are reviewed.

### **3.5 Procedure of data collection**

The self administered questionnaires were distributed to Hayat real estate, Sunshine real estate, Enyi real estate, Gift real estate, Flintstone real estate, Country club development, Roback real estate, clients in order to find out their attitude and satisfaction level towards the real estate company marketing activities. Willing marketing/sales managers are interviewed from the mentioned real estate.

### **3.6 Method of data analysis**

The information is gathered both in qualitative and quantitative method hence the qualitative data is collected from the willing marketing/sales personnel of different real estate's via interview are discussed, categorized in a logical sequence and subsection. The quantitative data was collected from customers through the survey question. Data were sorted coded, computed and analyzed using the statistical package for social science software (SPSS). Appropriate statistical analysis such as frequencies and linear regression is used according to respective objective and descriptors. The analyzed data used according to respective objective and descriptors. The analyzed data is presented by using table and graph. The interview phase contained two parts. The first part was organized based on the respondent demographic information and the second part was based on the research objectives. Furthermore primary data was collected through interview and questionnaire and secondary data was from related literature. Based on descriptive data analysis techniques frequency, percentage, mean, standard deviation and graphic representation were made. Furthermore by using correlation analysis the interdependence between the independent and dependent variables was tested. Finally hypothesis tests were performed using regression analysis.

**Model specification** - The statistical regression model of the study was based on the theoretical regression model as indicated follows

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + b_5x_5 + e$$

Where:

- Y= Customer Satisfaction
- a= the y intercept.
- $x_1$ = construction quality of real estate developers
- $b_1$ = the regression coefficient of construction quality of real estate developers
- $X_2$ = customer evaluate the fairness of the price of the residential villas
- $B_2$ = the regression coefficient of customer evaluate the fairness of the price of the residential villas
- $X_3$ = the delivery time of villas by real estate construction companies
- $B_3$ = the regression coefficient of the delivery time of villas by real estate construction companies and customer satisfaction
- $X_4$ = the convenience of location of the villas
- $B_4$ = the regression coefficient of the convenience of location of the villas and customer satisfaction
- $X_5$ = the sales personnel credibility to real estate customers
- $B_5$ = the regression coefficient of the sales personnel credibility to real estate customer
- e = error

### **3.7 Reliability Test**

This study used Chronbach's alpha to assess the internal consistency of variables in the research instrument. Chronbach's alpha is a coefficient of reliability used to measure the internal consistency of the scale. According to ZikmundEtl (2010), scale with coefficient alpha between 0.6 and 0.7 indicate fair reliability so for this study a Chronbach's alpha score of 0.70 or higher is consider adequate to determine reliability.

### **3.8 Validity Test**

Validity test was done as it indicated the extent to which difference found with measuring instrument reflecting true differences among those being tested. In order to ensure the quality of the research design content and construct validity of the research was checked. Construct validity establishing correct operational measures for the concepts being studied (Yin 1994). The literature review was conducted and thoroughly examined to make sure that the content of measuring is relevant to the study and experts' opinions were taken.

### **3.9 Ethical Consideration**

Informed consent was sought from the management of the selected organizations before the commencement of this research initiative. Approval for this study was obtained from Addis Ababa University School of commerce, department of marketing management. And formal consent was obtained from each participant/sampling unit before data collection was commenced. The researcher undertook to protect the rights of the respondents by ensuring that none of the respondents were not named during the research or subsequent thesis and respondents were selected to participate without compulsion.

**Chapter Four**  
**Results and Discussion**

This chapter has two parts. It covers the data collected from three real estate companies (i.e. Sunshine real estate, Country club developers, and Gift real estate), marketing/ sales managers on the various points of real estate marketing practice in general and in their respective firm in particular. And also detailed finding and analysis were made from the data collected from the selected real estate companies. It will be illustrated using table. In order to determine factors affecting the real estate market effectiveness and customer satisfaction different statistical packages is employed starting from the first step of data analysis that is descriptive statistics to more advanced regression models. From the descriptive statistics mean scores and standard deviation will be employed to show respondents rating on factors contributing to affect real estate market effectiveness and customer satisfaction followed by correlation analysis, regression and multi collinearity were discussed.

**4.1 Responses**

Out of the total 384 self administered questionnaires distributed to real estate customers, 350 of them were filled and returned, out of them only 310 (80.9%) were usable and the rest 40(10.4%) of them were incomplete and non-usable questioners.

Table 4.2: Over all sample response rate

Sample	Frequency	Percent
Total distributed questioner	384	100%
Returned questioner	350	91%
Incomplete and non usable questioner	40	10.41%
Total usable questionnaires considered for analysis	310	80.9%

Source: own survey, 2016

The major challenge in the course of this research is the preliminary data collection from the real estate customers. So as to sample the customers the researcher selected project sites from the sampled real estate in which, “Ayat mender” neighborhood around Ayat, Sunshine Meri Loke

neighborhood around Wesen Grocery, Gift phase I neighborhood around CMC, Flintstone twin crossing neighborhood around Yerer, Country Club Developers around Legetafo and Ropack living neighborhood around Legetafo, therefore customers were difficult to sample. The customers were not willing to fill the questionnaires and think it is some kind of test, so it takes a lot of time and effort of the researcher trying to make the customers understand.

#### 4.2 Reliability of the survey Instrument

Reliability is a measure of construct that out comes be assessed with relatively little measurement error. To test the reliability of the questionnaire a pilot survey was used. In pilot test 40 questionnaires were approached and collected from the apartment customers. The internal consistency (the reliability of the constructs) of each of the attribute dimensions or factors affecting customer satisfaction on performance of the real states are tested. We applied the Cronbach’s Alpha reliability analysis. Cronbach Alpha is a coefficient of reliability used to measure the internal consistency of the scale. The results showed that the Cronbach Alpha coefficients for all the dimensions are more than 0.7 indicating that the reliability of the instrument is high.

Table 4.3: Reliability test by dimensions

Dimensions	Cronbach's Alpha	N of Items
Construction Quality	.933	4
The price of the villa	.704	4
Delivery Reliability	.869	3
Location convenience	.878	4
Sales person credibility	.855	4
Customer Satisfaction	.786	6
Overall Reliability	.805	25

Source: own survey, 2016

The results showed that the Cronbach Alpha coefficient for the price of the villa is 0.704 indicating that the reliability of the instrument is high. The results indicated as the Cronbach Alpha coefficient for the delivery reliability of the villa is 0.869 indicating that the reliability of the instrument is high. The results showed that the Cronbach Alpha coefficient for the location convenience of the villa is 0.878 indicating that the reliability of the instrument is high. The results showed that the Cronbach Alpha coefficient for the sales person credibility of the villa is 0.855 indicating that the reliability of the instrument is high. Factors affecting customer satisfaction on overall performance of the real estate's is shown in the table above. The result shows that the Cronbach Alpha coefficients for over all questionnaire is 0.805 for 25 item (variable), indicating that the reliability of the instrument is very good.

#### 4.2 Normality test

Normality test is used to show if the data is normally distributed or not, there by almost the data is proportionally distributed. Since the skeweness and kurtose values fall in the range of (+or-) 1, the data is assumed to be normally distributed. The satisfaction level of customers for the independent variables construction quality, price, location and sales person credibility is negatively skewed, while delivery and overall satisfaction is positively skewed.

Table 4.4: Normality test

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
CONSQUAL	310	-.488	.138	-.359	.276
PRICE	310	-.241	.139	.765	.278
DELIVERY	310	.360	.139	-.324	.277
LOCATION	310	-.624	.139	.063	.278
Salesperson	310	-.015	.141	.597	.281
SAT	310	.156	.139	.481	.277
Valid N (listwise)	310				

Source: own survey, 2016

### 4.3 General Characteristics of the Respondents

Table 4.5: Respondents gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	243	78.4	78.4	78.4
Valid Female	67	21.6	21.6	100.0
Total	310	100.0	100.0	

Source: own survey, 2016

The demographic characteristic of the respondents is shown in the table above. The gender distribution is 78.4% male respondents and 21.6% of the respondents were females. It indicates that this research covers both male and female respondents and the gender distribution is fair and shows the data collected from pertinent respondents.

Table 4.6: Respondents Age

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 18-24	2	.6	.6	.6
25-30	18	5.8	5.8	6.5
31-35	88	28.4	28.4	34.8
Greater than 36years	202	65.2	65.2	100.0
Total	310	100.0	100.0	

Source: own survey, 2016

Majority of the real state customer respondents 202(65.2%) fall in age group of >36 years followed by 88 (28.4%) those Aged 30-35 years, 18(5.8%) of them fall under age 25-30 and

2(0.6%) fall under the age 18-24. Most of the respondents are in age of over 36 years and it indicates the respondents are young enough and have a capability to answer the question and believed pertinent and up-to-date information were collected.

Table 4.7: Respondents Education level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Elementary Complete	2	.6	.6	.6
	High school	36	11.6	11.7	12.3
	First degree	225	72.6	73.1	85.4
	Second degree	40	12.9	13.0	98.4
	Other	5	1.6	1.6	100.0
	Total	308	99.4	100.0	
Missing	System	2	.6		
Total		310	100.0		

Source: own survey, 2016

In terms of level of education, 12.9% of them have Master's degree, 72.6% of the respondents have Bachelor degree, 11.6% of them have completed high school and 0.6% of the respondents have completed elementary. The result shows the relatively high educational attainment of the respondents. The respondents are well educated and their responses can be considered as best of their knowledge and experience.

Table 4.8: Respondents Occupation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Government employee	14	4.5	4.5	4.5
	Private employee	57	18.4	18.5	23.1
	Company owners	225	72.6	73.1	96.1
	Other	12	3.9	3.9	100.0
	Total	308	99.4	100.0	
Missing	System	2	.6		
Total		310	100.0		

Source: own survey, 2016

Concerning the respondent's occupation, the largest group included those who are running their own business (company owner) which constitutes 72.6% of the respondents, followed by private employ 18.4% and 4.5% government employee. The study covers respondents who worked in different organization and it creates a great opportunity for the study to cover the target respondents' working experience.

Table 4.9: Real estate firm

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Hayat real estate	56	18.1	18.1	18.1
	Sunshine real estate	61	19.7	19.7	37.7
	Gift real estate	33	10.6	10.6	48.4
	Flint stone real estate	64	20.6	20.6	69.0
	Country club development	56	18.1	18.1	87.1
	Ropack real estate	40	12.9	12.9	100.0
	Total	310	100.0	100.0	

Source: own survey, 2016

The above result shows that the real estate market is based mainly in high class and Ethiopian Diasporas. Participants were planned to select from the real estate companies that are chosen by their market share information, and years of experience and then by from those real estate sites already delivered and customer list data base of the real estate developers for those projects sites which are not yet delivered to customers. From the selected real estate's customers were sampled from Hayat real estate 56(18.1%), Sunshine real estate 61(19.7%), Gift real estate 33 (10.6%), Flint Stone real estate 64(20.6%), Country Club developers 56 (18.1%) and Ropack real estate 40(12.9%). It indicates that this research covers all major firms' targeted customers and the firms got equal distribution as fair and shows the data collected from pertinent respondents from all selected firms.

#### 4.4 Over view of Respondent Rating

Descriptive analysis with analysis of mean, standard deviation of the indicator variables (independent variables) and dependant variables of customer's satisfaction on price, quality, delivery reliability, location, sales person credibility and satisfaction on the overall performance of real estate's considered as outcome variables, thus by giving preliminary understanding of respondents view of satisfaction on the real estate's price, quality, location, delivery reliability sales person credibility. All items were numbed from left to right for coding purpose with lower rating indicating negative and higher rating indicating positive. The mean and standard deviations of respondents on real estate market is presented below in tables.

Table 4.10: Descriptive Statistics (construction quality)

	N	Minimum	Maximum	Mean	Std. Deviation
Usage of strong construction material	310	1.00	5.00	3.4968	1.13134
Usage of technological facilities	310	1.00	5.00	3.3516	1.10115
Effectiveness of sanitary, electrical and finishing works	310	1.00	5.00	3.4710	1.09904
Construction quality	310	1.00	5.00	3.4419	.96283
Valid N (listwise)	310				

Source: own survey, 2016

Respondents were requested to rate their opinion based on construction quality in terms of usage of strong construction material and construction equipment, usage of up to date technological facilities, effectiveness of sanitary electrical and finishing works and construction quality is the reason for choosing the company. The mean range for the construction quality is between 3.35-3.49, it means that the average satisfaction level for real estate customers is rated Neutral, which shows that the customers of the real estate company are neither satisfied nor dissatisfied.

Table 4.11: Descriptive Statistics (the price of the villas)

	N	Minimum	Maximum	Mean	Std. Deviation
Payment schedule	308	1.00	5.00	3.5747	.96735
Trustworthiness of the company to the pay down payment	310	1.00	5.00	3.5677	1.08248
Price of villas	310	1.00	5.00	2.6129	1.04207
Price is the reason for choosing	306	1.00	5.00	2.9542	.91142
Valid N (listwise)	306				

Source: own survey, 2016

In this variable, respondents were requested to rate their opinion of price of the villas in terms of payment schedule, trustworthiness of the company to the pay down payment, price of villas and price is the reason for choosing. The result indicates that the mean range for the price of the villas rests between 2.61 and 3.57. It means that the average satisfaction level for the real estate is rated from dissatisfied to neutral level which is below average. Therefore, customers indicated their dissatisfaction with the price of the villas. The interview result indicated that the pricing and the payment schedules also varies with in the different developers and their offerings. The prices are generally high even sometimes extremely high as compared to the living standards and the average income of the majority of the urban population. And this clearly indicates that the private real estate firms target the high income group only. For the apartments the prices are: one bed room the price is around birr 1,200,000 with VAT, two bed room from Br. 1,750,000 to Br. 2,200,000 with VAT; three bed room from Br. 2,400,000 to Br. 2,800,000 with VAT; four bed room around Br. 3,600,000 with VAT.

The pricing and the payment schedules also varies with in the different developers and their offerings. The prices are generally high even sometimes extremely high as compared to the living standards and the average income of the majority of the urban population. And this clearly indicates that the private real estate firms target the high income group only. For the apartments the prices are: one bed room the price is around birr 1,200,000 with VAT, two bed room from Br. 1,750,000 to Br. 2,200,000 with VAT; three bed room from Br. 2,400,000 to Br. 2,800,000 with VAT; four bed room around Br. 3,600,000 with VAT.

For town house the price is around Br. 2,700,000 with VAT and the Villas range from Br. 5,500,000 to Br. 10,500,000 with VAT. The payments are made at different milestone of the construction starting from the signing of the contract up to handing over and submission of documents necessary for transferring title deeds. The payment terms differ from one developer to the other but in general the advance payment is mostly from 20-30% and the remaining 70%-80% will be prorated at different stages of the first or second slabs (for ground plus buildings), completion of roofing, completion of finishing work, at handing over and upon submission of documents necessary for transfer of title deeds.

Table 4.12: Descriptive Statistics (Delivery reliability)

	N	Minimum	Maximum	Mean	Std. Deviation
Delivery as per the contract	310	1.00	5.00	2.3581	1.04472
Failures delivery as per the contract	310	1.00	5.00	2.3871	1.02958
Delivery reliability	308	1.00	5.00	2.5909	1.03750
Valid N (listwise)	308				

Source: own survey, 2016

In this regard, respondents were requested to rate their opinion based on delivery as per the contract, failures delivery as per the contract and delivery reliability. The mean range for the delivery reliability is between 2.35-2.59 which means that the average satisfaction level for the real estate customers is rated dissatisfied which is below average. This implies that customers are dissatisfied with the delivery reliability of the real estate companies, and the real estate companies fail to deliver as per the contract. The developers plan to deliver the residential apartments and villas within 15 months -36 months and enter the contracts with their clients

accordingly. But the reality is different from this and almost all the real estate developers are blamed for late delivery.

Table 4.13: Descriptive Statistics (Location)

	N	Minimum	Maximum	Mean	Std. Deviation
Availability of infrastructure in the neighbourhood	306	1.00	5.00	3.6438	.97875
Convenience for transport	306	1.00	5.00	3.4281	1.10871
Availability of facilities	306	1.00	5.00	3.4183	1.01539
Location the choosing factor the real estate company	306	1.00	5.00	3.3824	.88014
Valid N (listwise)	306				

Source: own survey, 2016

Respondents were asked to rate their view based on availability of infrastructure in the neighbourhood, convenience for transport, availability of facilities and location the choosing factor the real estate company. The above table shows, the mean range for the location of the villas is between 3.38-3.64 which means that the average satisfaction level for the real estate customers is rated neutral. This implies customers are neither satisfied nor dissatisfied with the location of the villas.

Table 4.14: Descriptive Statistics (Sales person credibility)

	N	Minimum	Maximum	Mean	Std. Deviation
Salespersons of company keeps promise	300	1.00	5.00	2.9067	.87970
Salesperson of company collects customer feedback	299	1.00	5.00	2.9164	.77483
Salesperson are well trained	299	1.00	5.00	3.2475	1.07392
Salesperson credibility is the reason to choose the real estate	299	1.00	5.00	3.0167	.76175
Valid N (listwise)	299				

Source: own survey, 2016

The above table shows the mean range for the sales person credibility is between 2.90 and 3.01 which mean that the average satisfaction level for the real estate customer is rated from dissatisfied to neutral level, which is below average. Therefore customers are dissatisfied with the sales person's credibility of the real estate companies. This result was found as respondents were asked to rate their view on salespersons of company keeps promise, salesperson of company collects customer feedback, salesperson are well trained and salesperson credibility is the reason to choose the real estate.

Therefore to sum up, almost all of the responses of the real estate customers on construction quality, price of the villa, delivery reliability, location of the villa and sales person credibility of the companies mean range from 2.35-3.64. This means, it is rated from dissatisfied to neutral we can say that customers of the real estate companies are dissatisfied in all of the variables mentioned.

#### **4.5 Customer's satisfaction level**

According to Kotler (2006), customer satisfaction is a key to building profitable relationship with customers; keeping and growing consumers and reaping their customer life time value. Satisfied customers buy a product again, talk favorably to others about the product, pay less attention to competing brands and advertising and buy other products from the company. Many marketers go beyond merely meeting the expectations of customers and they aim to delight the customers. Dissatisfied consumer responds differently. Bad word of mouth often travels further and faster than good word of mouth. It can quickly damage consumer attitudes about a company and its products.

Table 4.15: Descriptive Statistics (Customer satisfaction)

	N	Minimum	Maximum	Mean	Std. Deviation
Construction quality of real estate	309	1.00	5.00	3.2460	1.20780
Price of the real estate offerings	310	1.00	5.00	2.5774	1.09373
The delivery reliability	310	1.00	5.00	2.3968	1.08565
The location of the villas	310	1.00	5.00	3.3452	.93834
The salesperson Credibility	310	1.00	5.00	2.9516	.75957
Overall satisfaction level with the performance of the real estate	307	1.00	5.00	3.0065	.97348
Valid N (listwise)	307				

Source: own survey, 2016

To measure respondent's satisfaction rating on the purchased real estates, we used their satisfaction rating on construction quality, Price of the villas, delivery reliability, location and sales person credibility. Customers are neutral (neither satisfied nor dissatisfied) with the construction quality, location and overall satisfaction with the performance of the real estates. It can be said that they are dissatisfied with the price of the villas, delivery reliability and sales person credibility.

Table 4.16: Descriptive Statistics (Satisfaction with construction quality)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Dissatisfaction	30	9.7	9.7	9.7
	Dissatisfaction	69	22.3	22.3	32.0
	Neutral	42	13.5	13.6	45.6
	Satisfied	131	42.3	42.4	88.0
	Strongly Satisfied	37	11.9	12.0	100.0
	Total	309	99.7	100.0	
Missing	System	1	.3		
Total		310	100.0		

Source: own survey, 2016

The respondents of this research were asked to indicate the level of satisfaction on different attributes of the real estate product/service. The attributes include construction quality, price, delivery reliability, location convenience and sales person credibility. Most of them replied satisfied on the construction quality of the villas. 11.9% of the customers responded strongly satisfied, 42.3% of them are satisfied, 13.5 of them are neutral, 22.3 % of them are dissatisfied and 9.7% of them are strongly dissatisfied with the construction quality of the real estate companies.

2.9 % of the customers responded strongly dissatisfied, 34.5% of them are dissatisfied, 23.9 % of them are neutral, 21.3% of them are satisfied and 2.9% of them are strongly satisfied with the price of the villas.

Table 4.17: Descriptive Statistics (Satisfaction with the price of the villa)

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Dissatisfaction	54	17.4	17.4	17.4
Dissatisfaction	107	34.5	34.5	51.9
Neutral	74	23.9	23.9	75.8
Satisfied	66	21.3	21.3	97.1
Strongly Satisfied	9	2.9	2.9	100.0
Total	310	100.0	100.0	

Source: own survey, 2016

19.7 % of the respondents are strongly dissatisfied, 44.8 % of the respondents are dissatisfied, 14.8% of them are neutral, 17.4% of them are satisfied and 3.2% of them are strongly satisfied with the delivery reliability of the real estate.

Table 4.18: Descriptive Statistics (Satisfaction with delivery reliability)

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Dissatisfaction	61	19.7	19.7	19.7
Dissatisfaction	139	44.8	44.8	64.5
Neutral	46	14.8	14.8	79.4
Satisfied	54	17.4	17.4	96.8
Strongly Satisfied	10	3.2	3.2	100.0
Total	310	100.0	100.0	

Source: own survey, 2016

2.3% of the respondents are strongly dissatisfied, 18.1% of them are dissatisfied, 30.3% of them are neutral, 41.1% of them are satisfied and 7.7% of them are strongly satisfied with location convenience of the real estate companies.

Table 4.19: Descriptive Statistics (Satisfaction with location convenience)

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1.00	7	2.3	2.3	2.3
2.00	56	18.1	18.1	20.3
3.00	94	30.3	30.3	50.6
4.00	129	41.6	41.6	92.3
5.00	24	7.7	7.7	100.0
Total	310	100.0	100.0	

Source: own survey, 2016

3.5% of the respondents are strongly dissatisfied, 18.1% of them are dissatisfied, 60.6% of them are neutral, 15.2% of them satisfied and 2.6% of them are strongly satisfied with the sales person credibility.

Table 4.20: Descriptive Statistics (Satisfaction with Sales person credibility)

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Dissatisfaction	11	3.5	3.5	3.5
Dissatisfaction	56	18.1	18.1	21.6
Neutral	188	60.6	60.6	82.3
Satisfied	47	15.2	15.2	97.4
Strongly Satisfied	8	2.6	2.6	100.0
Total	310	100.0	100.0	

Source: its own survey, 2016

#### 4.6 Correlation Analysis

In chapter three, it was indicated as the data which is collect from questionnaire first give code or recording variables on Statistical package social science (SPSS) program and by using correlation analysis the interdependence between the independent and dependent variables would be tested.

Correlation analysis was used that measures the relationship between two items such as construction quality, price, delivery reliability, location convenience and sales person credibility as independent and customer satisfaction as dependent variable. The resulting value (called the

"correlation coefficient") shows if changes in one item will result in changes in the other item. A pertinent interpretation was given based on this analysis. When comparing the correlation between two items, one item is called the "dependent" item and the other the "independent" item. The goal is to see if a change in the independent item will result in a change in the dependent item.

The Pearson's Product Moment Correlation Coefficient (r) is a measure of the degree of association between variables. It takes a value between -1 and 1. A value of r near to 1 indicates strong positive association, whereas a value of r near to -1 indicates a strong negative linear association. When  $r = \pm 1$  this indicates that the two variables are perfectly correlated, i.e., all the points are on a straight line (John et al, 2007). And if its value approaches to 1, there is a strong linear relationship and the value positive indicates that there is direct relationship between the variable as one variable increases the other decreases and vice versa.

The correlation coefficient can range between  $\pm 1.0$  (plus or minus one). A coefficient of +1.0, a "perfect positive correlation," means that changes in the independent item will result in an identical change in the dependent item. A coefficient of -1.0, a "perfect negative correlation," means that changes in the independent item will result in an identical change in the dependent item, but the change will be in the opposite direction. A coefficient of zero means there is no relationship between the two items and that a change in the independent item will have no effect in the dependent item.

A low correlation coefficient (e.g., less than  $\pm 0.10$ ) suggests that the relationship between two items is weak or non-existent. A high correlation coefficient (i.e., closer to plus or minus one) indicates that the dependent variable will usually change when the independent variable changes. The direction of the dependent variable's change depends on the sign of the coefficient. If the coefficient is a positive number, then the dependent variable will move in the same direction as the independent variable; if the coefficient is negative, then the dependent variable will move in the opposite direction of the independent variable.

Table 4.21: Correlation Analysis

	1	2	3	4	5	6
CONSQUAL Pearson Correlation	1	.519**	.367**	.339**	.433**	.679**
Sig. (2-tailed)		.000	.000	.000	.000	.000

	N	310	306	308	306	299	307
PRICE	Pearson Correlation	.519**	1	.493**	.279**	.531**	.708**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	306	306	304	304	297	303
DELIVERY	Pearson Correlation	.367**	.493**	1	.155**	.544**	.716**
	Sig. (2-tailed)	.000	.000		.006	.000	.000
	N	308	304	308	306	299	305
LOCATION	Pearson Correlation	.339**	.279**	.155**	1	.354**	.478**
	Sig. (2-tailed)	.000	.000	.006		.000	.000
	N	306	304	306	306	299	303
Salesperson	Pearson Correlation	.433**	.531**	.544**	.354**	1	.699**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	299	297	299	299	299	297
Satisfaction	Pearson Correlation	.679**	.708**	.716**	.478**	.699**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	307	303	305	303	297	307

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source: own survey, 2016

The result indicates that the relationship between construction quality and satisfaction is strongly correlated as  $r=0.679$ , the relationship between price variable and satisfaction is strongly correlated as  $r=0.708$ , the relationship between delivery and satisfaction is strongly correlated as  $r=0.716$ , the relationship between location and satisfaction is moderately strongly correlated as  $r=0.478$  and the relationship between sales persons and satisfaction is strongly correlated as  $r=0.699$  with Correlation is significant at the 0.01 level (2-tailed).

#### 4.7 Regression model

The data which is collect from questionnaire first give code or recording variables on Statistical package social science (SPSS) program. Based on descriptive data analysis techniques frequency, percentage, mean, standard deviation and graphic representation were made. Furthermore by using correlation analysis the interdependence between the independent and dependent variables was tested. Finally hypothesis tests were performed using regression analysis.

#### Model specification

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + b_5x_5 + e$$

Where:

- Y= Customer Satisfaction
- a= the y intercept.
- $x_1$ = construction quality of real estate developers
- $b_1$ = the regression coefficient of construction quality of real estate developers
- $X_2$ = customer evaluate the fairness of the price of the residential villas
- $B_2$ = the regression coefficient of customer evaluate the fairness of the price of the residential villas
- $X_3$ = the delivery time of villas by real estate construction companies
- $B_3$ = the regression coefficient of the delivery time of villas by real estate construction companies and customer satisfaction
- $X_4$ = the convenience of location of the villas
- $B_4$ = the regression coefficient of the convenience of location of the villas and customer satisfaction
- $X_5$ = the sales personnel credibility to real estate customers
- $B_5$ = the regression coefficient of the sales personnel credibility to real estate customer
- e = error

The mean value for all variables ranges between 2.35 and 3.64 and it indicates that most respondents' response or preferred the category of dissatisfied and neutral. Based on the conceptual framework as indicated in chapter 2, this data analysis was done by inferential analysis of construction quality, price, delivery reliability, location and sales person credibility as independent variables and customer satisfaction as dependent variable.

Multiple linear regression models is used to develop dependent and independent model by running customer satisfaction on construction quality, price, delivery reliability, location conveyance and sales person credibility, as independent variables (Predictors) and satisfaction on overall performance of the real estate as dependent variable, thereby overall satisfaction is dependant by each contributing factors for clients satisfaction.

Table 4.22: Regression Analysis

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.916 <sup>a</sup>	.840	.837	.28616	.840	303.100	5	289	.000

a. Predictors: (Constant), Salesperson, LOCATION, CONSQUAL, DELIVERY, PRICE

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	124.097	5	24.819	303.100	.000 <sup>b</sup>
	Residual	23.665	289	.082		
	Total	147.762	294			

a. Dependent Variable: SAT

b. Predictors: (Constant), Salesperson, LOCATION, CONSQUAL, DELIVERY, PRICE

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.223	.092		-2.426	.016
	CONSQUAL	.194	.021	.273	9.401	.000
	PRICE	.219	.030	.229	7.363	.000

DELIVERY	.284	.023	.369	12.474	.000
LOCATION	.151	.022	.182	6.986	.000
Salesperson	.187	.030	.194	6.182	.000

a. Dependent Variable: SAT

### Collinearity Diagnostics<sup>a</sup>

Mode	Dimension	Eigenvalue	Condition Index	Variance Proportions					
				(Constant)	CONSTRUCTION	PRICE	DELIVERY	LOCATION	Salesperson
1	1	5.789	1.000	.00	.00	.00	.00	.00	.00
	2	.085	8.275	.03	.01	.00	.63	.12	.00
	3	.046	11.204	.04	.77	.01	.04	.16	.02
	4	.033	13.217	.15	.11	.24	.17	.54	.05
	5	.025	15.073	.29	.00	.03	.14	.00	.87
	6	.021	16.411	.48	.10	.72	.01	.18	.05

a. Dependent Variable: SAT

Source: own survey, 2016

The most common measure of how well the regression model fits the data is R square. This statistics measures how much of the variance is explained by the weighted combination of the predictor. The closer R square is to 1 the better the model fits. The R square value in the table above explains how much of the variation on the dependent value (customer satisfaction) is explained by the independent variables (satisfaction on construction quality, price, delivery reliability, location and sales person credibility). In this case the value 0.84 represent the model explain 84% of the variance in the dependent variable (the variance in the dependent variable is explained by the predictor variables in the model).

The ANOVA test table shows, it is noticed that F value of 303.100 is significant at 0.000 level. Therefore, from the result, it can be concluded that with 84% of the variance (R-Square) construction quality, price, delivery reliability, location, and sales person credibility are significant effect on customer satisfaction.

The coefficient of the regression line addresses the strength of the relationship. The sign of the coefficient indicate that whether the predicted response increase or decrease when the predictor increases while other predictors remain constant .The result indicate that there is a positive and significant relationship of satisfaction on construction quality, price, deliver reliability, location and sales person credibility of real estate with consumer on overall satisfaction rating on real estate performances with strong predictor of deliver reliability Beta coefficients 36.9 %(0.369), construction quality of Beta coefficients 27.3% (0.273) and price 22.9% (0.229) for increase in the dependant variable(overall performance of real estate satisfaction) satisfaction level from ‘Strongly dissatisfied’ to ‘Strongly satisfied’ while the other independents variables location is lower predictor variable of beta coefficient 18.2% (0.182) and sales person credibility of the company 19.4% (0.194), with the desired overall customer satisfaction.

Table 4.23: Collinearity statistics

Model	Collinearity statistics	
	Tolerance	VIF
1 (constant)		
CONSQUAL	.418	2.395
PRICE	.408	2.453
DELIVERY	.733	1.364

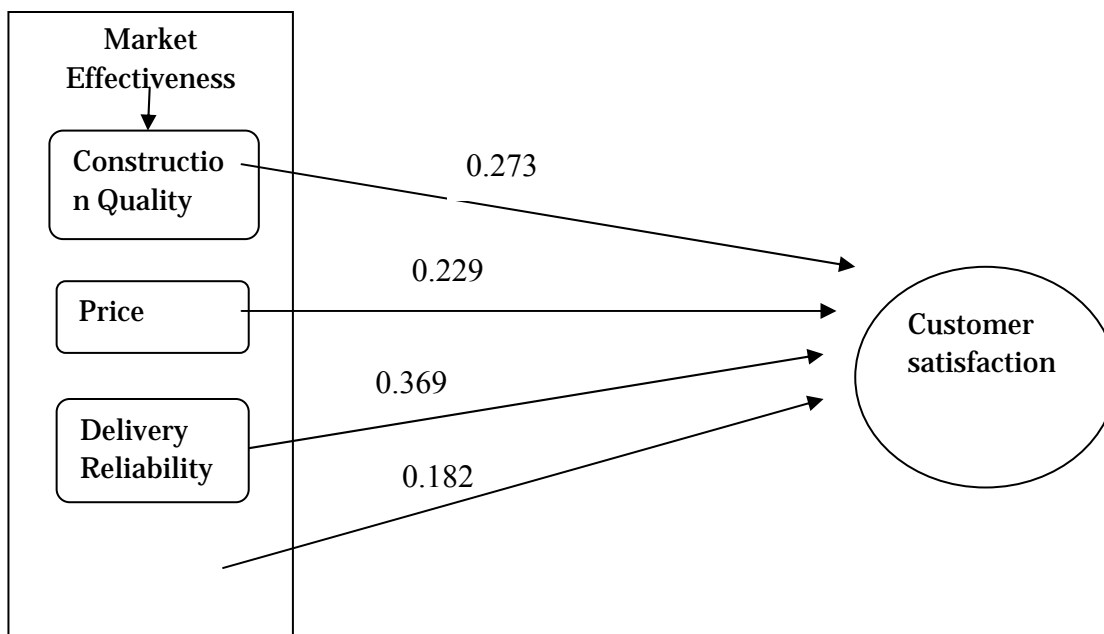
LOCATION	.567	3.321
Salesperson	.231	1.212

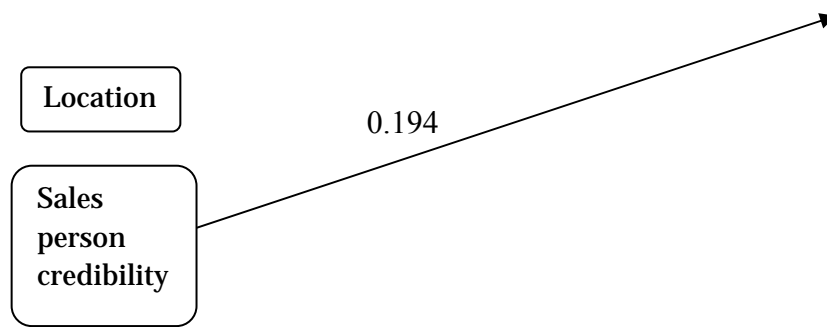
Multicollinearity refers to a situation in which there is exact (or nearly exact) linear relation among two or more of the input variables. The VIF (Variance Inflation Factor) for each term in the model measures the combined effect of dependence among the regressors on the variance of that term. One or more large VIF indicate multicollinearity. Practical experience indicates that if any of the VIF results exceeds 5 or 10, it is an indication that the associated regression coefficients are poorly estimated because of multicollinearity. Collinearity Statistics shows that the VIF value of construction quality 2.395, price 2.453, delivery reliability 1.364, location 3.321 and salesperson credibility 1.212 which is less than 5 or 10 and no collinearity is observed on this data. The independent variables that contribute to variance of the dependent variable are explained by standardized Beta coefficient.

#### 4.8 Results of the Hypothesis

On the bases of the finding of this study the hypothesis is set regarding the dimensions (factors) on affecting customer satisfaction on the overall performance of the real state were discussed.

Figure 4.2 Result of Hypothesis





Source: own survey, 2016

**H<sub>1</sub>:** construction quality of the villas has a significant and positive relationship on customer satisfaction; therefore this hypothesis is not rejected.

**H<sub>2</sub>:** price of the villas has a significant and positive effect on customer satisfaction; therefore this hypothesis is not rejected.

**H<sub>3</sub>:** Delivery reliability has a significant and positive relationship on customer satisfaction; therefore this hypothesis is not rejected.

**H<sub>4</sub>:** Location convenience has a significant and positive relationship on customer satisfaction; therefore this hypothesis is not rejected.

**H<sub>5</sub>:** Sales person credibility has a significant and positive relationship on customer satisfaction; therefore this hypothesis is not rejected.

#### 4.9 Discussion of Results

Real estate plays a vital role in every aspect of a country's economic, societal, and environmental development. The houses we are living in, the offices and factories we are working in and commercial malls we are shopping all categorized under real estate. If properly managed and operated a real estate sector have many advantages for individuals, businesses and the society at large. It provides a huge employment opportunity for office and construction projects staff both skilled and unskilled, improve living standard of the society and image of the country, supports the affiliated business such as construction material supply, engineering design and consultancy, construction and property management. It will generate high tax income for the government. Even

though, it is risky and takes a longer time to get the return on investment, it is a very good business to invest in. The key points in the factors influencing real estate market effectiveness and customer satisfaction revealed in this study can be summarized as follow.

For the past two decades, there were a complicated issues and deficiencies in the business, delivery defaults, quality problems, disputes between customers and developers. Following these chaos in the sector, the government has drafted a real estate development and marketing proclamation which is believed to solve much of the problems in the sector. The developers complaining on the challenges they are facing. The backward construction technology and procedures, shortage of skilled man power in the sector, lack of project management skills and inexperienced real estate investors are also significantly affecting the growth of the real estate sector.

From the customer survey undertaken in this study, it is understood that most of the customer are dissatisfied with the performance of the real estate developers. According to the findings, delivery reliability and price of the villas are the most important attribute that most of the respondents are dissatisfied with. Another important point addressed in the research is the narrow targeting of the private real estate sector of Ethiopia, which is the developers only focus on the very high income group of the market in the local market and the Diasporas living in different parts of the world. This is the result of the very high price of the villas, town houses and apartments ranging from ETB 2,700,000 to ETB 10,500,000 which is unthinkable for the most of the middle and upper middle income group of customers.

Though the sector is tied up with plenty of difficulties, it has still the potential to be exploited and can benefit the actors of the sector and the country at large. But this can be realized only if the challenges mentioned above can be alleviated and improved. The high housing demand in all income groups, the technology and engineering focused education programs, international organization and institutions, the government revitalization programs in the inner city slum villages, the large scale construction of infrastructure in every part of the country and the drafting of the real estate development and marketing proclamation are some of the opportunities in the real estate sector of Ethiopia.

The customers were finally asked to put their opinions and suggestion on the service of Ethiopian Real Estate developing companies. The majority of them believed that the Government should play a great role in diminishing the risk gain by the customers. The Government should the real estate sector on the right track, ensure that the customers are guaranteed for the money they are paying in advance, facilitate bank loan facility for the real estate sector and strictly control, guide

and encourage real estate sector investment. Concerning the performance of the real estate developers, the customers suggest that the real estate developers need a total reformation with respect to their performance especially in the aspect of the construction quality, price and delivery.

The private real estate sector mostly uses the demographic specifically income group and family segmentation. With respect to the income group and family the real estate developers claim that they target the upper middle and upper income group in the market. However, it is difficult to clearly put a distinction as who are upper, middle or lower income group of people; how much should be the monthly or yearly income and saving of those classes in Ethiopian context. The researcher believes that the private real estate sector targets very high income group of the urban population.

The family life cycles of the target groups are divided into singles and families, in which the apartments especially one and two bed rooms are targeted for singles and three and four bed room apartments, townhouses and villas are targeted mostly for families.

In the case of geography, the capital city, Addis Ababa is the main target market of the real estate firms. In addition to the local market, the Ethiopians in the different parts of the world (“Diaspora”) are also important target of the real estate sector.

The real estate firms position themselves in different ways based on the types of their offerings, among them “high class and Luxury” and “simple and attractive”

The real estate developers under this study mentioned the factors that could differentiate them from their competitions, these include brand recognition and trust worthiness, experience in the sector, skilled and energetic management and staff member, best location for the real estate sites, financial strength and complementary sister companies and affiliated businesses for example, Ayat real estate is supplied with construction materials and equipments from its marble and gravel manufacturing and construction machinery rental sister companies. And Gift real estate also have Gift trading plc, gift nail manufacturing, Gift construction plc and Gift property management sister companies.

The real estate developers formally & informally pull and gather the feedback from their customers. Some of them have established marketing research section which periodically undertake customer satisfaction survey and report to the concerned divisions and departments, other receive comments mostly complaints when reported by customers to the sales office or head offices.

## **Challenges**

The developers mentioned that the Ethiopian real estate sector is full of challenges and every participant is dissatisfied with the sector performance, the developers are unhappy, the government is also discontented and the customers are very dissatisfied with the current situations. The causes for all these poor performance are various. Some of them are:-

- Supply and cost of land
- Shortage of finance
- Cost and supply of construction materials
- Shortage of skilled manpower and employee turnover
- Narrow target group who can afford the high prices
- Negative image of the sector due to the poor delivery promises
- Lack of experience of the real estate sector
- Lack of support from the government

### **Opportunities**

Despite the challenges in the sector there are still opportunities which can be utilized for the benefit of the customers, developers, government and the society at large.

This includes;

- **The ever increasing demand for housing**

The urban housing demand has increased at an alarming rate as the population of the major cities is increasing with migration and high birth rate. The private real estate sector has tended to high end of the market i.e. high income group of the local population and the Diaspora who have believed to have willingness and ability to purchase the expensive real estate.

- **The large scale construction of infrastructure in every part of the country**

Infrastructure is a key determinant for the development of real estate projects. And the Ethiopian government has given a great emphasis on the development of infrastructure such as roads, rail way, drainage system telecommunication and electricity system which in return facilitates the real estate operation.

- **The drafting of the real estate development and marketing proclamation**

The designing of Real Estate development and marketing proclamation is a major milestone in the Ethiopian real estate sector in which real estate sector has been purely a private business in the past decade and half. The proclamation is believed to solve malfunction and encourage the real estate sector investment.

- **Focus on the engineering and technology field of study**

The Ethiopian government has designed the educational policies and curriculums focusing on the science, technology and engineering fields. The government planned to enroll around 70% of the students joining higher education to engineering and technology fields. This will provide the construction and the real estate sector with large number of skilled human resource.

➤ **Addis Ababa becoming an international city attracting international institutions**

With around one hundred embassies, several hundred NGO's and aid agencies, plus major international institutions like the AU, UNECA and others, the demand for high end residences in close to city center locations is unlikely to face any short fall in demand. As Addis Ababa's expatriate community expands to include the representatives of foreign companies and investors, there will be high housing demand in the city.

To sum up, there are lots of opportunities for the real estate sector, but this fact is conditional on the major challenges mentioned above. Unless and other wish the above drawbacks of the sector are resolved the sector will totally fall down and become history.

## **Chapter Five**

### **Summary, Conclusion and Recommendation**

This chapter tried to summarize the outcomes of the study or findings and to provide possible solutions or recommendations in order to solve the problems. The first section of this chapter is dedicated to the conclusion part and based on these summarized findings recommendations are given.

#### **5.1 Summary and Conclusion**

In the preceding section of this paper, the issue of real estate marketing in Ethiopia was discussed thoroughly taking the case of Addis Ababa city. The objective of the research was to analyze the real estate market effectiveness and how it affects customer satisfaction. This study was undertaken by reviewing secondary data written on related topics and collecting and analyzing primary data through questions and survey questionnaires; the primary data is collected from the real estate developers and customers, from the developers three real estate firms namely Sunshine

real estate, Gift real estate and Flintstone real estate marketing/sales managers are interviewed and self administered questionnaires were distributed to 310 real estate firm customers. Accordingly, the data analysis performed using both qualitative and quantitative methods and the findings show that the real estate sector is creating dissatisfaction for all the participants.

The developers are frustrating with the situation in the sector due to various challenges such as cost and supply of land lack of finance cost and shortage of construction materials, shortage of skilled man power and high labor turn over, narrow target group of customers who can afford and lack of support from the government side. The customers on the other side are disappointed with the late delivery and price of the villas. Even though, the real estate sector is tied up with lots of deficiencies it has still prospects in the future to benefit every actor in sector and the county at large, but this is conditional on the improvement of the current drawbacks from every angle.

## **5.2 Recommendation**

In this section, possible solutions or remedies in order to solve or reduce some problems are proposed. The Ethiopian private real estate sector has a short life i.e. less than two decades and with in the short time it passed through lots of up and downs. The first step to pick up the pieces of the falling sector should be taken by the government; it should put to action the drafted real estate development and marketing proclamation to action.

In addition, the financial system and policies should be revised to incorporate a bank mortgage loan and project funding scheme, otherwise the lack of finance will continue to restrain the development of the sector. The affordability issue is another critical issue that needs attention from the government side.

Even though the government is now planning to address the lower and middle income group of the market through various low cost public housing projects it may not be enough compared to the high housing demand in the urban centres of the country. Therefore, the private real estate sector should also play a major role to address the housing needs of the middle income groups, and this can be realized if the land acquisition and construction expense can be reduced.

The developers on the other hand should look for alternative construction materials and efficient construction technologies and procedures which in turn increase profit margin, minimize the delivery time horizon, improve construction quality and reduce the selling price leading to address larger target market in the middle income group of the urban population. Prior to entering the real estate sector, the developers should first ensure that they have the financial, human and capital resources that are enough to stay competitive and profitable. If their plan is to just lease land and collect advance payment and divesting to other portfolio, they better not think about it because neither the government nor the customer will entertain them in the future.

The developers should have trained and motivated sales person so that they can get prospects trust. The sales persons are direct reflection of the company and the profitability depends on. In order to get trust from the customers the sales person should be trustworthy and creative. In general, the government, developers, financial institution, construction and other affiliated business sector and customer should collaborate to improve the real estate sector and to create a win-win situation for all the participants and the country at large.

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## **Appendix \_ Questionnaire**

### **Questionnaire for Customer**

**Dear Respondents,**

The purpose of this questionnaire is to obtain data for a research project conducted by Eyerusalm Gizachew on atopic factors Influencing Real Estate Marketing effectiveness and customer satisfaction in a partial fulfillment of the requirements for the award of an MA degree.

The major objective of the study is to investigate main factors affecting the Real Estate marketing and customer satisfaction your cooperation in filling out the questionnaire carefully and genuinely, therefore will not only contribute towards contribution in responding to and getting ride off the fundamental and deep rooted Real Estate market and customer satisfaction problem in Addis Ababa.

The researcher in this regard, assure you that it is not attest of your ability; and all the information you provide will be confidential and is to be used only for research purpose. Thank you for your cooperation in advance.

## **Instruction**

- a. There is no need to write your name
- b. Put ✓ or ✗ in the boxes for questions with alternative.
- c. Write your answer for questions which needs explanation in the space provided.

## **Part 1**

### **General Information**

1. Gender

Male     Female

2. Age

18-24

25-30

31-35

> 36

3. Marital Status

Single

Married

Divorce

4. Education Level

Elementary Complete

High School Complete

First Degree

Second Degree

Other \_\_\_\_\_

5. Occupation

Government employee

Private employee

Company owner

Other \_\_\_\_\_

## **Part 2**

### **Specific Information**

**1. The real estate firm you Purchased your reality from**

- Hayat real estate
- Sunshine real estate
- Gift real estate
- Flint Stone real estate
- Country Club real development
- Ropack real estate

**2. Questions related to construction quality**

<b>Construction Quality</b>	Strongly Dissatisfac tion	Dissatisfac tion	Neutra l	Satisfi ed	Strongly Satisfied
Usage of strong construction material and construction equipment					
Usage of up to date technological facilities					
Effectiveness of sanitary electrical and finishing works					
Construction quality is the reason you choose the real estate company					

**3. Questions related to price**

<b>Construction Price</b>	Strongly Dissatisfac tion	Dissatisfac tion	Neutra l	Satisfi ed	Strongly Satisfied
Payment schedule of the company					
Trustworthiness of the company to pay the down payment					
Price of the villas					
Price is the reason you choose the real estate company					

#### 4. Questions related to delivery reliability

<b>Construction Delivery reliability</b>	Strongly Dissatisfac tion	Dissatisfac tion	Neutra l	Satisfi ed	Strongly Satisfied
Delivery as per the contract					
Failurity to deliver as per the contract					
Delivery reliability is the reason you choose the company					

#### 5. Questions related to Location

<b>Construction Location</b>	Strongly Dissatisfac tion	Dissatisfac tion	Neutra l	Satisfi ed	Strongly Satisfied
Availability of infrastructure in the neighborhood					

Convenience for transport					
Availability of facilities such as health center shopping area, recreational places and other social services					
Location is the reason you choose the real estate					

**6. Questions related to sales person credibility**

<b>Construction Sales persons credibility</b>	Strongly Dissatisfac tion	Dissa tisfact ion	Neutra l	Satisfi ed	Strongly Satisfied
Sales persons of the company keeps the promise they made					
Sales persons are well trained					
Sales persons of the company collects customer feedback					
Sales person credibility to the real estate					

**7. Questions related to customer satisfaction customer satisfaction**

<b>Construction Customer satisfaction</b>	Strongly Dissatisfac tion	Dissatis faction	Neutra l	Satisfi ed	Strongly Satisfied
I am satisfied with construction quality of the real estate offerings					

I am satisfied with price of the real estate offerings					
I am satisfied with the delivery reliability of the real estate					
I am satisfied with the location of the villas					
I am satisfied with the sales person credibility of the company					
Overall I am satisfied with the performance of the real estate company					

**Thank you for your Cooperation!**

#### **Interview questions**

1. What are the different real estate offerings of your company?
2. How do you position your offerings?
3. What are the price and payment schedule of your different reality offerings?
4. How do you segment and target your market with respect to demography, income group, geography etc?
5. What is/ are your competitive advantages that differentiate you from your competitors?
6. What are the promotional mixes that your company uses to reach its target market?
7. Do you have customer feedback including complaints gather system? If you have, do you actually use the feedback as an input to improve your service?
8. What are the challenges that the current real estate sector is facing and in particular your company?
9. What opportunities does your company see in the Ethiopian real estate industry?