



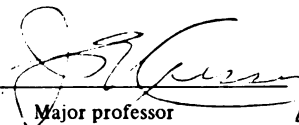


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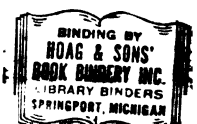
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Ph.D. degree in Marketing

  
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Date 7/22/76



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## ABSTRACT

### AN EXPLORATORY STUDY TO DETERMINE RELEVANCY OF SELECTED DEMOGRAPHIC AND PSYCHOLOGICAL VARIABLES FOR MARKETING SECOND-HOME CONDOMINIUMS

By

Dante Maurice Laudadio

#### Purpose

The objective of the study is to determine the applicability of selected demographic and psychological factors to the marketing of second-home condominiums. This is accomplished through the establishment of a comprehensive customer profile. By ascertaining this profile, the study provides dimensions for target market identification and selection, suggests some parameters for marketing plans and methods by which those plans may be implemented, and provides a basis for many of the activities in the marketing mix.

#### Frame of Reference

There is a minimal amount of published information available which is concerned with the marketing of second-home condominiums. As a consequence, a clear definition of the problem is the result of understanding what condominiums are, describing the economic and social environment in which



they operate, and identifying specific marketing concepts which require investigation. Therefore, the literature serves as a broad and comprehensive planning guide, rather than as a standard against which the results may be compared.

#### Collection of Data

To select the most appropriate variables for inclusion in the research instrument, a preliminary survey was sent to over one hundred professionals likely to have a good working knowledge of the condominium market. They were asked to identify the demographic, life cycle, and psychological variables which they feel describe potential condominium owners, as well as the social factors which influence condominium purchases.

Utilizing this information, a mail questionnaire with a personalized cover letter was sent to 1,425 second-home condominium owners. The mailing list was secured from a condominium management organization for a modest administrative fee. There were 530 questionnaires returned, representing a wide geographical dispersion. The questionnaire measured socioeconomic characteristics, life cycle characteristics, factors which ascertained the role of the condominium in the purchaser's life style, and inner- and other-determined psychological parameters.

### Major Findings and Conclusions

Second-home condominium owners are concentrated in people-oriented professions and in entrepreneurial or managerial occupations. The overwhelming majority of respondents earn incomes in excess of \$30,000 per year. While 80% possess a minimum of a four-year college degree, over 50% have undertaken graduate programs.

The sample is concentrated in the 40-59 years age group and among the married. Most respondents are either without the responsibility of minor dependents, or have older children who will embark on careers of their own within a few years.

Although the median vacation period is four weeks, most owners occupy their condominium for only two or three weeks. The automobile is the principal transportation mode utilized to travel to and from the property, likely being used for distances of 300 miles or less. Airplanes are the second most important means of travel being used when the condominium is a great distance from the primary home. Economic and recreational reasons provide the greatest motivations for purchasing a condominium.

The respondents exhibit a relatively low concern for status. This outcome seems uncharacteristic in light of the high social class positions exhibited. The respondents possess a high degree of ego strength, indicating

self-reliance, independence, high self-esteem, and the ability to control their own activities without external influence.

The self-assurance and achievement motivation scales do not yield significant results. Because the use of these scales involves a new application of the testing instrument, it is suggested that these tests be replicated.

The respondents exhibit a low rigidity pattern. The results indicate that second-home condominium owners are socially adept, tolerant, and extroverted.

The sample is distributed almost normally throughout the local-cosmopolitan scale. The usefulness of the measure appears limited. They also display a high degree of faith in people, feeling that success is the natural outcome of ability and knowledge, and they exhibit confidence in man's general good nature.

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SELECTED DEMOGRAPHIC AND PSYCHOLOGICAL  
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By

Dante Maurice Laudadio

A DISSERTATION

Submitted to  
Michigan State University  
in partial fulfillment of the requirements  
for the degree of

DOCTOR OF PHILOSOPHY

Department of Marketing and Transportation  
Administration

1976

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1976

To Tia

*Very late in life when he was  
studying . . . someone said to  
Lacydes, "is it then a time for  
you to be learning now?" "If  
it is not," he replied, "when  
will it be?"*

*Diogenes Laertius*

## ACKNOWLEDGMENTS

The writer wishes to express his gratitude for the sympathetic criticisms and suggestions of his advisory committee:

- To Dr. William J. E. Crissy, Professor of Marketing and Transportation Administration, chairman of the research committee, for his fatherly interest, guidance, and constant encouragement throughout the research and the author's career.
- To Dr. Frank D. Borsenik, Professor of Hotel Administration, University of Las Vegas-Nevada, for his patience, generous assistance, and constructive counsel. His special effort is sincerely appreciated.
- To Dr. Stoakley W. Swanson, Associate Professor of Advertising, for his insight to, and familiarity with, the personal and technical problems encountered in the research. His advice was of inestimable value.

The author is grateful for the committee's tendency to strike a fruitful balance between rigor and practicality. He shall always regard them, not only as advisors, but also as colleagues and friends.

A special thanks is due to my wife, Linda. The completion of the dissertation would not have been possible without her constant patience, encouragement, understanding, and prodding.

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## CHAPTER 1

### INTRODUCTION

#### Purpose

Since the utilization of condominiums as a living mode first made its impact on the accommodations industry and the American life style in the early 1960's, very little research has been accomplished to determine a comprehensive demographic and psychological profile of buyers and potential buyers of this real estate form. This is not meant to suggest that certain sectors of the economy have failed to concern themselves within the narrow scope under their purview. Indeed, the financial and legal communities and, as might be expected, the construction industry have devoted large amounts of time and resources to understanding the functioning of the economic, legal, and social forces which are at work in their particular areas. A cursory inspection of the literature quickly reveals that overwhelming emphasis is placed on the areas of securities registration, operational management, and consumer protection. Yet references providing consumer descriptions, at any other than the most superficial level, are strangely lacking.

This apparent lack of interest in the consumer is all the more surprising when we consider the size and recent growth of the condominium industry. During the period between 1969 and 1972, many builders and developers regarded condominiums as the key to financial success. As the current recession began to develop, the industry was faced with an overabundance of supply and a slackening of demand. Many regarded the period beginning in 1973 as the start of a long decline for condominiums.<sup>1</sup> Yet an investigation of the facts clearly indicates that this is not so. Condominiums accounted for one out of every seven housing starts in 1973.<sup>2</sup> In 1974 they represented 23% of all for sale housing in the United States, or 1.4 million units.<sup>3</sup> Thus, condominiums were a \$44 billion industry at the low point of the current recession.<sup>4</sup> Having assumed a position of importance in the housing industry both prior to and during the recession (i.e., during periods of economic expansion

---

<sup>1</sup>J. J. Braceland, "Condominiums--A Receding Wave?" Appraisal Journal, October 1975, p. 585.

<sup>2</sup>"Condominiums Totaled 14.5% of All '73 Starts," Wall Street Journal, 22 October 1974, p. 4.

<sup>3</sup>"New Mortgage Market Starts in Condominium and Planned Unit Loans," House and Home, June 1974, p. 12.

<sup>4</sup>It should be pointed out that these statistics represent a wide range of condominium types. No data could be found pertaining exclusively to second-home condominiums.

and contraction), it can reasonably be expected that this prominence will continue for some time.

The attention is focused on the purchasers of condominiums. This perspective was chosen for these reasons: (1) to provide dimensions for target market identification and selection, (2) to suggest some parameters for marketing plans and methods by which those plans can be implemented, and (3) to provide a basis for product adjustment, communication, and transaction and post-transaction activities. The concern is for the consumer--a description of some of the characteristics and attitudes which may influence his choices in the marketplace. This in no way intimates that any basis for market segmentation will be easily discovered or simplistic. Indeed, the very inclusion of psychological scales in the testing instrument is done because the utilization of demographics as the sole means of delineating markets and discerning purchase motivations has proved inadequate. Therefore, the basic purpose of the study is to determine the relevancy of selected demographic and psychological variables, which industry leaders and management practices have indicated are important, to the marketing of second-home condominiums.



### Scope of the Study

The research provides some basic reference material which others, who share an interest in second-home condominiums, may further develop and expand. Consequently, no effort was made to study the many variations of the condominium form which may constitute separate and identifiable markets, e.g., condominiums converted from apartments, leasehold condominiums, resort condominiums, etc. The study utilized a simple dichotomy--condominiums used as domiciles of principal residence and second-home condominiums--and was concerned only with the latter. While this prosaic classification may include any or all of the above mentioned variations, it is felt that to recognize them in the study would prove too costly and time consuming, and also reduce the significance of the data which are obtained.

Cost is a second factor which affects the scope of the study. Since the research is supported wholly by the author, the attempt to delineate the second-home condominium buyer profile is, necessarily, a modest one. As might be expected, even with assurances that there is no commercial intent, considerable suspicion was evident when condominium management organizations were asked to share the names of their clients. Those responding positively to this suggestion desired to exercise control over the

scope and direction of the research. To maintain its integrity, it was decided to complete the study without the financial resources of these organizations.

The final factor influencing the scope of the research was time. Whenever research of this type is undertaken, its value necessarily diminishes as the time frame increases. Therefore, every effort was made to choose a time period which allows reasonable depth, yet is not so long that the significance of the results is reduced.

#### Limitations of the Study

The limitations of the study will become evident as the reader progresses through the research. However, to minimize unwarranted judgments, the conditions which may affect the interpretation of the results should be specified before findings are presented.

Since the sample mailing list is drawn from an organization located in California, the respondent group necessarily reflects certain geographical limitations. As noted in Chapter 3, an overwhelming proportion of respondents own condominiums in the Pacific Coast and Rocky Mountain states. Additionally, the list is selected at the discretion of that organization's management without any assurances as to its randomness or its merit. Therefore, any conclusions which are drawn may be difficult to generalize to another sample or a larger population.

The research examines certain descriptive characteristics of people who have already purchased second-home condominiums, rather than exploring the variables which may be taken into account in the consumer's decision process. Consequently, any relationship between the independent and dependent variables is based on inference rather than on experiment. Also, it must be recognized that the collection of data represents a retrospective investigation of the consumer's purchase decision.

The study is subject to the limitations of all research which depends on mail questionnaires for the collection of data. Principally, the analyst is uncertain if those in the sample who respond demonstrate the same socioeconomic characteristics, beliefs, and attitudes as those who choose, for whatever reason, not to respond.

Finally, the shortcomings of the research instrument itself should be recognized. Although the utmost precautions may be taken, differences in their social and cultural backgrounds may cause respondents to place a slightly different interpretation on a question than is intended, thus introducing a small percentage of response error. This type of possible discrepancy should be borne in mind when interpreting the results. Also, the inclusion of the scales testing self-assurance and status concern represents a new application of this instrument. Therefore,

the tests should be replicated to establish validity and modified if necessary to conform to the idiosyncracies of the second-home condominium market.

### Significance of the Study

The research is significant on several counts. First, it adds to the knowledge of personnel involved in the marketing of second-home condominiums. It assures that the descriptive and predictive activities in which these people engage will be better attuned to the social and economic circumstances, life styles, and motivations of the target market. The study describes how certain characteristics of a specific market may affect the choices which the members of that market make regarding a specific product. It is anticipated that the results of the research will aid in predicting the reaction of potential second-home condominium purchasers to the various activities in the marketing mix.

Secondly, the study reveals the value of using emotional-attitudinal data to modify and refine the demographic parameters of the second-home condominium market. While psychological descriptions have been used in market studies for other products, this study represents the initial application to the second-home condominium market.

Finally, the study provides a means of testing many of the generalizations which builders and developers have assumed to be true concerning second-home condominium owners. Background investigation prior to the research indicated that much of the marketing effort is generated on vague feelings of customer characteristics unsupported by sound evidence. The research provides such evidence, and a foundation for the development of marketing strategies and tactics.

### Organization of the Research

Having already begun to familiarize the reader with the objectives and background of the research in this introductory chapter, and having also explained the nature of the study and the constraints under which it was executed, Chapter 2 elaborates further on pertinent background literature which may be applicable to the understanding and interpretation of the results. The purpose in Chapter 2 is twofold: (1) to provide an understanding of what second-home condominiums are and to describe the present social and economic environment in which they operate, and (2) to identify certain gaps in marketing knowledge and to suggest means of making the marketing effort more meaningful.

Chapter 3 provides a discussion of how the research is designed, explains the measurement scales which are

chosen, and develops the rationale for the interpretation of the findings. The methodology which is outlined reflects not only the testing dimensions which are considered important, but also the feelings of industry leaders actively engaged in the marketing of second-home condominiums. As a result of this combination, the chapter emphasizes the exploratory nature of the study.

In Chapter 4, the major findings of the study are presented. Most research efforts of this nature present such findings without providing interpretation or suggesting significance. However, it is felt that to do so will make the research more meaningful to the reader. Most often, this interpretation is based on conventional marketing wisdom, but where this is not the case, specific reference material is cited.

In Chapter 5, the objectives of the study are restated, the findings are summarized, the implications of the results for personnel concerned with condominium development are considered, and ways in which the research might be continued or expanded are suggested.

## CHAPTER 2

### LITERATURE REVIEW

The purpose is to review not only the literature which pertains directly to condominiums, but also to comment on certain background literature which may prove useful in the interpretation and critique of the research findings. The approach is as follows: First, the history and growth of condominiums is explored so that the evolutionary nature of the concept can give proper perspective to current events within the area. Next, the meaning of the concept is explored in detail so that the reader will be aware of the roles played by and the benefits and disadvantages accruing to all participants in the marketplace. Then, the economic and social climate in which the developer and builder must operate is investigated. That environment is a reflection not only of their own roles, but also of the roles performed by the financial community, regulatory agencies, and the prospective buyer. Finally, the review is directed toward culling marketing data. Even though the main thrust of the research effort is aimed at the marketing of condominiums, this review concentrates on pertinent literature from related disciplines which may have application. Actually,

strictly marketing literature dealing with condominiums is so sparse as to be virtually non-existent.

### History and Growth

#### Overview

Although very few people in the United States even were aware of the condominium form of ownership prior to the early 1960's, the concept dates back to fifth century Rome. Ironically, condominiums were utilized by the Romans to solve the same basic problem which precipitated the introduction of the concept to the United States in 1961--scarcity and high cost of urban land.<sup>1</sup> These same problems aided in the refinement of prototypes in the twelfth and thirteenth centuries when medieval populations, restricted by the boundaries of their walled cities, developed individual ownership of "storied" property. As the dangers of attack subsided and the populace dispersed to more rural areas, this form of ownership became less prominent, although recognition was present in many real estate codifications, including the Napoleonic Code of 1804.<sup>2</sup>

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<sup>1</sup>Seneca B. Anderson, "Cooperatives and Condominiums," Residential Appraiser, August 1962, p. 2.

<sup>2</sup>David Clurman and Edna L. Hebard, Condominiums and Cooperatives (New York: John Wiley and Sons, 1970), p. 3.



At the start of the twentieth century the condominium concept again began to take on importance as it spread from Europe to other parts of the world, most notably Asia and South America. Interestingly, most of the laws enacted during this period never use the term "condominium." Rather such descriptive phrases as "horizontal property" or the more traditional "storied property" were employed. However, regardless of the various descriptions used in these statutes, the intent conveyed a single meaning--the division of vertical boundaries by horizontal planes in high rise complexes for the purpose of creating air space estates.<sup>3</sup>

### The United States

Although condominiums did not receive widespread attention in the United States until much later, the

. . . modern day application has developed following World War II when imposition of rent control by the Price-Wage Stabilization Act encouraged people to seek relief from excessive rents through ownership. Condominiums emerged slowly in the post-war years, mainly used as a year round residence in major metropolitan areas. . . .<sup>4</sup>

In 1961, the extension of the concept received a then unrecognized stimulus when the United States Congress passed Section 234 of the National Housing Act. This

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<sup>3</sup>Ibid.

<sup>4</sup>"Resort Condominiums," Resort Management, July 1970, p. 8.

section of the statute was enacted principally as a means of extending FHA insurance and mortgage loans to residents of Puerto Rico. However, because of urban congestion and population concentrations, the need for multi-unit, high rise accommodations was readily apparent. As a result, lending institutions which formerly were unwilling to extend condominium mortgage loans except under the severest of restrictions, now began to expedite loans under the Federal guarantees provided in Section 234.

The insurance provided for did not have an immediate impact on the United States mainland. In fact, by 1968 only three states--California, Florida, and Michigan--and the District of Columbia had taken advantage of the law to provide individual unit financing. However, the subtle effects of Section 234 were of great importance. Since this involved Federal legislation and Federal recognition of a housing form representing a radical departure from the norm, the FHA devoted a great deal of energy to provide safeguards for all parties involved in condominium agreements. The agency proposed the model condominium law which served as a guide for state legislatures and as of 1965 every state had enacted a condominium law.<sup>5</sup>

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<sup>5</sup>Judith A. Burkhart, "Condominium Resort Hotel Management," The Cornell Hotel and Restaurant Administration Quarterly, November 1974, p. 78.

Recently, the number of condominium projects under development was estimated to be approximately 500. Of these, financial data are available for the 21 which have registered with the Securities and Exchange Commission. The largest project has 552 units, the smallest has 40. The cumulative offering price is \$195,858,073. The average price per project is \$9,326,573. The average price per unit is \$50,766.<sup>6</sup> The most prominent areas of condominium development are Florida, Hawaii, California, and Colorado.

#### Financial Foundations

For many years loans secured by residential real estate have traditionally been treated by lenders as loans of the safest type.<sup>7</sup> In early America, there was good reason. In a society where the landowner and the family often remained for most of a lifetime on a specific plot of land, the desire to remain made this type of collateral very safe. Large and extensive loans were made on land and crops, not because these were particularly profitable, but because of the safety of this type of security. Thus,

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<sup>6</sup>Keith Romney, "The Growth and Economic Value of Second Home Rental Condominiums," speech, Proceedings of the First Conference-Workshop on Regulation and Registration of Second-Home Rental Condominiums, publisher unknown, February 1972, p. 53.

<sup>7</sup>Clurman, p. 35.

the tradition of real estate loans being larger and safer than others was established. Even though these loans were usually short term, they were brought into modern law and a large percentage of institutional investments was limited to real estate.

Historically, institutional lenders have authorized maximum loans to condominium owners approximately equal to the existing percentage for ordinary one family homes.<sup>8</sup> For example, most condominium loans were 90% of the selling price in the mid 1960's when capital was readily available. By the early 1970's, when the demand for mortgage money was greater than the supply, most condominium mortgage loans were 80% of the selling price. In both cases, the conditions paralleled those existing in other residential real estate transactions.<sup>9</sup> As a result of the greater care taken in reviewing condominium loan applications, it is expected that either maximum financing or no financing would be given. There seems to be some indication that this situation will change as condominiums gain wider acceptance.

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<sup>8</sup>"Condo Craze," Newsweek, 20 August 1973, p. 57.

<sup>9</sup>Daniel S. Berman, How to Organize and Sell a Profitable Real Estate Condominium (Englewood Cliffs, N.J.: Prentice Hall, Inc., 1966), p. 112.

## The Condominium Concept

### Definition

The American Hotel & Motel Association defines "condominium" as

the legal concept that allows a person to own outright certain space in an individual unit within a multi-unit project together with an undivided interest in certain 'common areas and facilities.'<sup>10</sup>

To better understand the application of the concept, the relationship between the condominium estate and traditional real estate may be considered.

Traditional parcels of land may be surveyed and boundaries established by staking out demarcations on the earth's surface in relation to some previously determined reference point. This not only establishes a horizontal plane on the earth's surface, as shown in Figure 1, but also describes an invisible vertical plane between the stakes that extends downward to the earth's core and upward to infinity.<sup>11</sup>

If this property was further subdivided into smaller parcels, as shown in Figure 2, new vertical planes would be established making individual ownership of each lot possible.

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<sup>10</sup> American Hotel & Motel Association, Condominium Resort Hotels--Definitions and Checklists, n.d., p. 1.

<sup>11</sup> Department of Housing and Urban Development, Questions About Condominiums--What to Ask Before You Buy, 1974, p. 21.

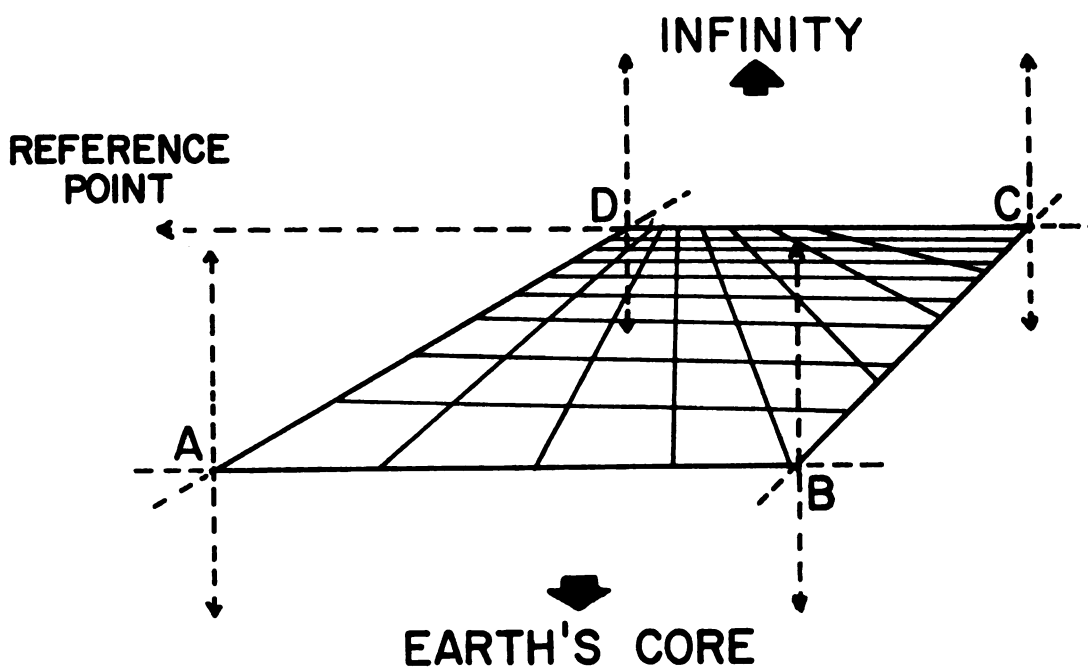


FIGURE 1. TRADITIONAL REAL ESTATE PLOT.

Source: Department of Housing and Urban Development, Questions About Condominiums--What to Ask Before You Buy, 1974.

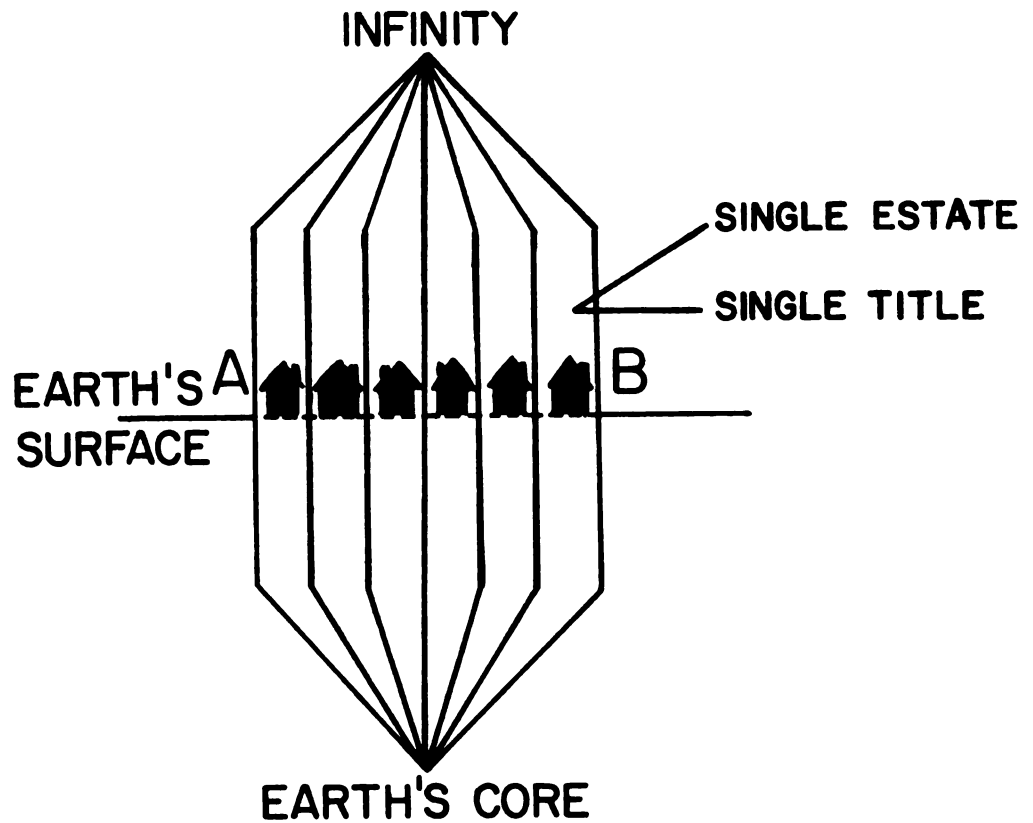


FIGURE 2. TRADITIONAL REAL ESTATE PLOT (SUBDIVIDED).

Source: Department of Housing and Urban Development, Questions About Condominiums--What to Ask Before You Buy, 1974.

Since we can legally bisect the horizontal plane, theoretically we can also bisect the vertical planes. This has been accomplished in Figure 3. The effect of bisecting the vertical planes is to prevent them from extending from the earth's core to infinity. Invisible cubes of air space are thus formed. Eventually the horizontal planes will form the floors and ceilings of dwelling units and the vertical planes will form the walls. It must be remembered, however, that while the vertical planes of individual units no longer extend beyond the unit walls, the boundaries of the common estate continue to exhibit this characteristic of traditional real estate. It is this common space which determines the reference point for defining individual dwelling cubes. Figure 4 shows a property in which units have been architecturally delineated and legally described as condominium estates.<sup>12</sup>

#### Advantages and Disadvantages

There are several advantages and disadvantages which accrue to condominium owners and developers. The literature seems to place greater emphasis on the advantages; but consideration of shortcomings is essential if we are to objectively integrate this information with our research study and correctly evaluate the potential impact on and appeal for any given market segment.

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<sup>12</sup> Ibid., pp. 22-24.



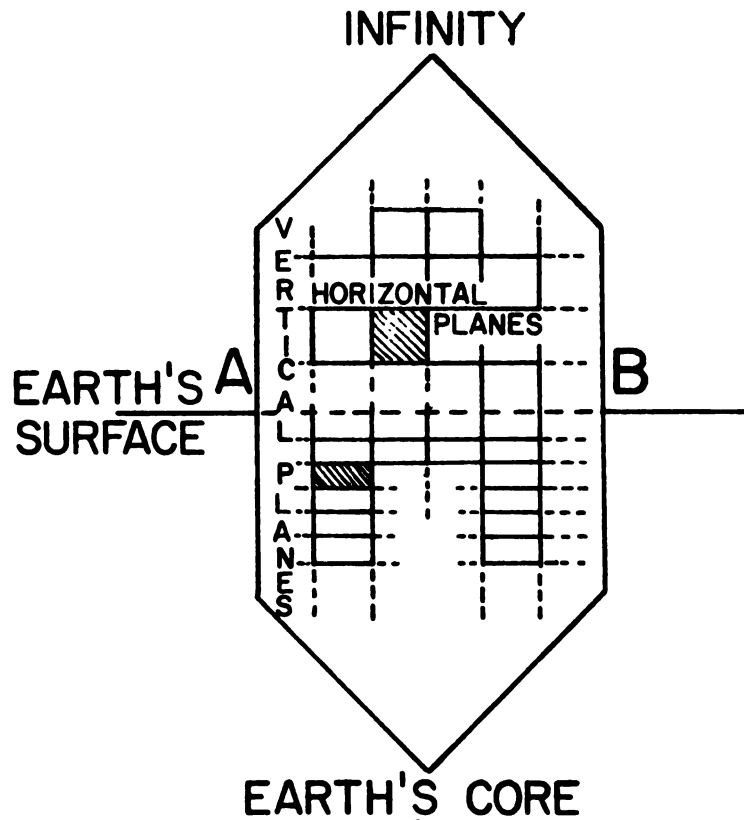


FIGURE 3. TRADITIONAL REAL ESTATE PLOT WITH VERTICAL PLANS BISECTED.

Source: Department of Housing and Urban Development, Questions About Condominiums--What to Ask Before You Buy, 1974.

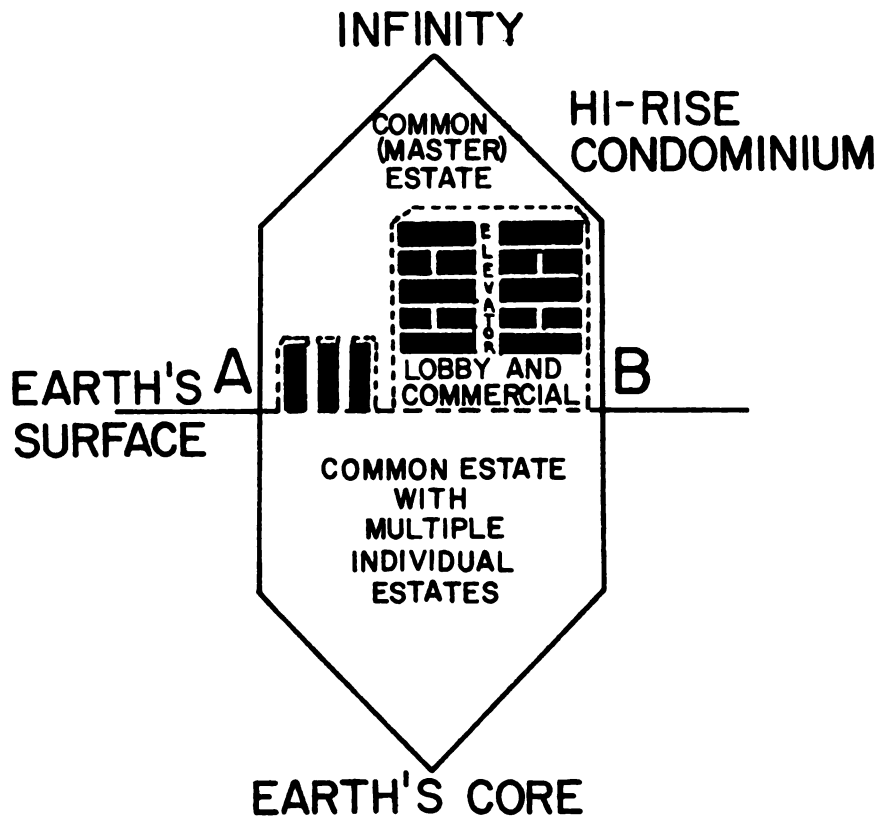


FIGURE 4. CONDOMINIUM ESTATES.

Source: Department of Housing and Urban Development, Questions About Condominiums--What to Ask Before You Buy, 1974.

For condominium owners the most important benefits are derived from the tax laws. The deductions for interest on a mortgage and for property taxes available to the home owner are not available to renters, but they are to the unit owners of a condominium.<sup>13</sup> Further, where a rental pool or management contract is in effect, the costs and expenses, such as common expenditures, depreciation, and insurance incurred while the unit is in the pool may be deducted from the rental pool income.<sup>14</sup>

A related advantage of extreme importance is that each unit owner may finance his condominium independently, just as if he were purchasing a single family dwelling. Thus, the size of a condominium unit owner's down payment and his ability to pay his mortgage are controlled not by what all the other owners do (as in a cooperative) but by the terms of his mortgage and what this instrument will permit.<sup>15</sup>

Another distinct financial advantage results from the economies of scale achieved by building in the condominium form. Because the builder buys larger tracts of land, he usually can purchase them at a much lower price

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<sup>13</sup> Berman, pp. 11-12.

<sup>14</sup> Roger H. Thompson, "Resort Hotel Condominiums," Cornell Hotel and Restaurant Administration Quarterly, February 1972, p. 17.

<sup>15</sup> Clurman, p. 88.

than the builder buying individual lots. Attached housing is cheaper to construct than individual houses and the condominium owner usually shares these cost advantages. A condominium probably will cost from 25% to 30% less than an individual home having the identical amount of space.<sup>16</sup>

Condominium ownership also offers opportunities for the small investor. Rather than buying a building or an entire apartment complex and renting units, it is possible to buy several individual estates and make them available for rental markets. Additionally, the purchaser of single or multiple units has quality accommodations in a desirable location in which to spend his vacation. Thus, the second-home condominium can provide a real saving of disposable income.<sup>17</sup>

Finally, the owner usually receives a service package which may consist of lawn mowing, landscaping, driveway and sidewalk maintenance, exterior painting, some insurance, and maintenance of common green areas and amenities. Thus, the owner is provided with the maximum opportunity to make use of discretionary time.<sup>18</sup>

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<sup>16</sup> Patrick Weaver, "Condominium Boom at the Resorts," Nation's Business, July 1972, p. 20.

<sup>17</sup> Ibid.

<sup>18</sup> Louis R. Silverman, "Stress Advantages of Ownership, 'Condo' Still New Idea to Buyers," Apartment Construction News, September 1971, pp. 22-23.

Difficulties for the condominium owner usually arise from some combination of three problem areas. These are poor management, legal entanglements, and regimented life style. The managerial problem stems from the administrative powers vested in the board of directors. The tendency has been for the board, which is usually dominated by the builder or developer to unilaterally establish monthly carrying charges and maintenance fees. Since such fees are not fixed at the time of sale, any increase in charges reflects negatively on the value of ownership vis a vis rentals in comparable accommodations. Oftentimes the powers exercised by the board in these matters has been perceived by condominium owners as dictatorial, capricious, and arbitrary.<sup>19</sup> A related problem develops when service contracts are awarded by the board to organizations owned or controlled by the builder or developer. In these cases, the organization providing the services may raise the charges and the board of directors then assesses additional fees.<sup>20</sup>

The legal aspects of condominium ownership are often complex and uncomprehensible to the layman. The plethora of legal documents, the procedures for obtaining FHA or other mortgage loans, and the fact that relationships

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<sup>19</sup> Eric Sharp, "Condominium Buyers Get Taken," Lansing State Journal, Lansing, Michigan, 20 May 1973, p. G-2.

<sup>20</sup> Martha Patton, "Look Closely at Condominiums," Lansing State Journal, 28 May 1973, p. D-4.

must be structured between three parties, makes the establishment of rights and responsibilities somewhat complicated.

Insurance costs per unit may be higher because they often are covered twice: by the condominium association and by the unit owner. The total property tax might also be larger when assessed on individual units rather than on the whole building. Unless there is a provision specifically eliminating joint and several liability, each unit owner may be responsible for tort claims or debts of the association.<sup>21</sup>

All purchasers of condominiums move into an instant community often with its own swimming pool, tennis courts, golf course, and always with its own firmly established set of rules. The following rules are examples from a typical set of condominium by-laws:

4. Nothing shall be placed on the outside of window sills or projections.
12. No noise caused by instrument or other device, or otherwise, which in the opinion of the Board may be calculated to disturb the comfort of other owners, shall be permitted.
14. No dog; or other animal which shall be dangerous or unduly annoying shall be allowed upon or kept in or about any unit or the common elements.

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<sup>21</sup> Patrick J. Rohan, Condominium Law and Practice-Forms (Albany, N.Y.: Matthew Bender and Co., 1970), p. 6.

15. Household furniture shall not be taken into or removed from any unit except at such times and in such manner . . . as approved by the Board. . . .
16. . . . Only seasonal furniture is allowed on balconies. . . . The washing of balcony floors shall not be done . . . so as to allow water to fall over the sides. . . .<sup>22</sup>

Additionally, while it may be advantageous to have the condominium management take care of maintenance, it also necessitates a lack of flexibility. For instance, if the owner wants the trim on his unit gray and the condominium board of directors wishes it white, it will be painted white.

Both the advantages and the disadvantages to developers and builders are the result of the rental pool concept. On the positive side it provides very inexpensive capital, increased quality accommodations to rent, additional revenue from the rental of these accommodations, a steadier occupancy during the off-season, and finally, it enhances the general attractiveness of the entire property.<sup>23</sup>

If the rental pool concept is the primary source of management profitability and benefits, so too is it the source of the most important and controversial drawbacks. Since 1963, the Securities and Exchange Commission has ruled

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<sup>22</sup> Cadillac Development Corporation, Ltd., Proposed University City Condominium Documents, Toronto, Canada, n.d., pp. 16-17.

<sup>23</sup> Paul H. Thiebert, "Condominiums--Who Needs Them?" Resort Management, February 1971, pp. 8-9.

that condominium properties promoting the sale of units through promises of rental income are selling securities.<sup>24</sup>

The early reluctance of project developers to register their properties as securities stemmed from two sources.<sup>25</sup>

1. Many properties were originally planned as small developments of seasonal homes with rental opportunities open to the buyer.
2. Registration with the SEC and the various state agencies for interstate sales was costly and time consuming.

Since the developers and the SEC administrators were not familiar with the concept of real estate as securities, sometimes as much as two years were required for clearance. This long period was not only costly in time, but it also implied that large amounts of capital had to remain unproductive until clearance was provided. Further, since these condominiums now represent securities, the units must be sold by salesmen licensed to sell both securities and real

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<sup>24</sup> Patrick J. Rohan, "Security Laws and Rental Condominiums," Cornell Hotel and Restaurant Administration Quarterly, May 1972, p. 94.

<sup>25</sup> "Guidelines for Resort Development," Cornell Hotel and Restaurant Administration Quarterly, May 1973, p. 3.



estate. Consequently, developers have had to train their own personnel.<sup>26</sup>

Moreover, the purchaser of any rental pool condominium that is not properly registered has the right to the return of all consideration paid for his condominium or may sue for damages.<sup>27</sup> Lastly, the SEC has the power to impose an injunction to halt the marketing of unregistered projects.<sup>28</sup>

Recently, however, conferences between the American Hotel & Motel Association and the SEC have helped clear some of the uncertainty surrounding registration. The SEC now promises a clear registration 60 days after filing, provided that a proper prospectus has been submitted to them.<sup>29</sup> This prospectus previously had been a point of debate because of the complexities and details required. Acquiescing to demands of the AHMA, the SEC has agreed to scale down its requirements to a 20-page prospectus containing less information. Formerly, these documents were often 100 or more pages in length, which involved much time and difficulty to prepare. If revision was requested by the SEC, the costs to the developer were high.<sup>30</sup>

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<sup>26</sup> Peter M. Gunnar, "Securities Regulation of Condominium Hotels," Cornell Hotel and Restaurant Administration Quarterly, February 1971, pp. 52+.

<sup>27</sup> "Guidelines for Resort Development," p. 4.

<sup>28</sup> Ibid.

<sup>29</sup> Ibid.

<sup>30</sup> Ibid.

Although many properties are still not registered with the SEC at present, there is a growing trend for the SEC to become more active. It seems that the cost of registration will have to be met eventually and that by resigning themselves to the process the developers achieve not only greater flexibility with regard to sales practices, but also peace of mind.

#### The Rental Pool

An extremely important concept in the sale and management of resort condominiums is the rental pool. While typical resort homes can be rented by the owner or his agent, it usually is done haphazardly, resulting in a low occupancy rate. Conversely, resort condominiums often have a well-organized system for renting units when they are not in use by the owner. Briefly, such a system usually features a managing agent who acts as the owner's representative, leasing units to a third party. "All income and expenses for all of the units are pooled and the profits are pro-rated among the unit owners according to the size of the unit and its availability for rent."<sup>31</sup> Research data show that condominiums with rental pools have outsold other types of resort condominiums ten to one.<sup>32</sup> While the

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<sup>31</sup> Thompson, p. 16.

<sup>32</sup> Ibid., p. 17.

rental income may not be enough to offset depreciation and operating expenses, any losses can be used as a tax shelter for other income. The management charge for operating such a rental pool usually varies between 40% and 60%,<sup>33</sup> but some management charges range as low as 10% of the gross receipts.<sup>34</sup> The only substantial inconvenience is that owners may be required to place reservations for the use of their units far in advance.

As mentioned previously, the tax saving advantages of this type of management can be important. This is especially true if the owner is in a high tax bracket. While any owner of a resort condominium can deduct his real estate taxes and interest payments on his mortgage, when a rental pool is in effect, the owner can also deduct nearly all other expenses associated with the unit, including the cost of maintaining the pool and depreciation.<sup>35</sup>

Condominiums that are part of a conventional resort or resort hotel use similar rental pools. However, the occupancy rate and the profitability of these are generally much higher than that of traditional condominium projects. Some use a slightly different arrangement in which the

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<sup>33</sup> American Hotel & Motel Association, p. 3.

<sup>34</sup> Rohan, "Security Laws," p. 96.

<sup>35</sup> Rohan, Condominium Law, p. 37.

owner must designate in advance one particular month for his own use.<sup>36</sup>

One other form of diluting ownership should be mentioned: time sharing. This is a system in which one unit is sold to a number of owners. They buy a particular unit and each owner has access to its use for a designated time period, e.g., the month of August. When this system is utilized, no rental pool is necessary. Each owner is aware of the expenses he will incur, and the condominium is fully occupied.<sup>37</sup>

### The Economic and Social Environment

#### Conventional Financing

The present decade already has proved to be a challenging period, and given the state of the economy and the energy crisis, it seems reasonable to presume that we can expect more challenging times ahead. Thus far, the 1970's have been a period of increasing interest rates which are the result of both domestic inflation and foreign demand for capital. Since interest rates are a compensation to lenders for the erosion of their principal, it is

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<sup>36</sup> "Resort Condominiums," p. 7.

<sup>37</sup> Judith A. Burkhart, Factors Affecting Regulation of Condominiums As Real Estate Securities, Workshop at Michigan State University, East Lansing, Michigan, July 15, 1974.

realistic to expect that interest rates will continue to rise as long as inflation persists.

The traditional methods of financing in general, and accommodations financing in particular, are becoming more difficult to obtain all the time. In large part, this can be attributed to the public reaction to inflation. If price levels are generally high, one would expect the marginal propensity to save (MPS) to increase in relation to the marginal propensity to consume (MPC). However, bank deposits have not increased.

The fact is that the public is searching for ways to maximize returns and banks have not been able to compete with other investment alternatives. Consequently, rather than building a larger deposit base upon which to apply the money multiplier, the banks have realized a decline in the rate of savings deposited.<sup>38</sup> This makes capital more difficult to obtain, which in turn precipitates a policy among lending institutions to search for higher returns.

Recently, many banks have undertaken a policy of diverting money from mortgage reserves to small loans.<sup>39</sup> The interest rates that a bank can charge on small loans

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<sup>38</sup> Arnold Markfield, "Financing Hotels in the Seventies," Cornell Hotel and Restaurant Administration Quarterly, August 1971, p. 14.

<sup>39</sup> Ibid.

are in a different, more profitable category than interest rates on mortgage loans. Additionally, the period of time money is encumbered will be shortened considerably. If high inflation rates continue, this trend in fiscal policy will prove advantageous to money lending institutions.

It may be argued that the banks owe an obligation to society, and that the breeding of increased inflation, through the increase in the number of small loans, is not consistent with that social obligation. The banks' viewpoint is that they have a responsibility to their stockholders to improve the banks' earnings. The situation is a source of considerable debate, but one which in all likelihood will not improve in the near future.

Although an operator may be fortunate enough to obtain a large bank loan, the effective rate of interest in many cases is much higher than the quoted rate. For example, a \$1 million loan obtained at an interest rate of 10% with a 25% compensating balance, in effect provides \$750,000 at an interest expense of \$100,000. Therefore, the effective rate becomes 13.3%.

Under these circumstances, the operator may seek other, less expensive sources of capital. Recently, insurance companies have attempted to fulfill these needs. Traditionally, they have provided mortgage money to hotels; and since they cannot follow the banks' practice of making

small consumer loans, it would appear they could be a dependable source of funds for accommodations developers. However, insurance companies are well aware of inflation and realize that the amount returned will not be equivalent to the amount loaned in current dollars. Therefore, they have begun to request a share of the equity or some other form of participation.<sup>40</sup> There seems to be a growing suspicion that insurance companies will continue to demand increasingly large concessions from developers until legislation and regulation restrict these efforts. However, until that time, we can expect a continuing trend toward some ownership of accommodation properties by insurance companies.

If this trend develops as expected, we will undoubtedly experience a continued increase in the cost of capital. The nature of the contractual obligations will affect the financial statements of the operation. If the property is asked to issue convertible bonds, or rights, and these rights are exercised so that the issuance of common stock is necessary, the property may be required to pay dividends on the new stock. These dividends will not affect reported earnings, but they will have an unfavorable impact on cash flow. This results because dividend

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<sup>40</sup> Ibid.

payments are not deductible from taxable income; however, interest payments are.

We also must consider the effect on leverage of increased interest rates. Leverage is the use of borrowed assets to enhance the return on owners' equity. The following is an example of the effect of an increase in the interest rate on leverage if the property is financed with a debt/equity ratio of 2/1.

1. Interest rate = 6%

Return on invested capital = 10%

\$1,000.00	Debt
500.00	Equity
<u>\$1,500.00</u>	Total

\$1,500.00	x .10	= \$150.00	Return on capital
1,000.00	x .06	= 60.00	Interest
		<u>\$ 90.00</u>	Before tax income
\$90.00/\$500.00 = 18%			Return on owners' equity

2. Interest rate = 12%

Return on invested capital = 10%

\$1,500.00	x .10	= \$150.00	Return on capital
1,000.00	x .12	= 120.00	Interest
		<u>\$ 30.00</u>	Before tax income
\$30.00/\$500.00 = 6%			Return on owners' equity

Since the 6% return on owners' equity is less than the 10% return on capital, we have a case of negative leverage. In this second instance, in order to achieve



an 18% return on owners' equity with the 12% interest rate, we would have to earn 14% on our total investment instead of the original 10%.

\$1,500.00 x .14 = \$210.00	Return on capital
1,000.00 x .12 = 120.00	Interest
<u>\$ 90.00</u>	Before tax income
\$90.00/\$500.00 = 18%	Return on owners' equity

Under these economic conditions, it would be difficult to foresee an increase to 14% because of ever-increasing operating costs and the recent trend toward decreasing occupancies. These expected increases in interest rates and the increasing restrictions being placed on developers by all lending institutions makes it apparent that alternative methods of financing are necessary.

### Condominium Financing

The condominium concept has been utilized in recent years to provide an alternative means of financing. As Paul H. Thiebert, President of Forbes Management Corporation states,

. . . condominiums can provide 400 to 500 new bedrooms and baths without investing a dime of new capital and while doing so, realize close to one million dollars in new debt-free working capital . . . providing guaranteed and continuing income to stabilize your own basic overhead, and most important do it while retaining complete control of your environment now and forever.<sup>41</sup>

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<sup>41</sup> Thiebert, p. 8.

Condominium development has progressed rapidly since its initiation. As the result of both government intervention and the desire of developers to enhance commercial worth, expertise has been constantly improving in this area, and many of the mistakes and abuses which were made now occur less frequently. For example, the practice of salesmen promising unrealistic returns and rates has been tempered. No longer are prospective purchasers required to invest under conditions of insufficient information.

This market, which was virtually unknown fifteen years ago, has grown tremendously. The American lifestyle has changed dramatically since then which in part has helped explain the emergence of the second-home condominium market. The underlying reasons for cultivating the demand of this new and more affluent market are many, but the following are the most important:<sup>42</sup>

1. A decrease in the work load. Work weeks are becoming shorter resulting in increased leisure time.
2. A rise in disposable real income. Despite inflation, the average American has more money available for discretionary use now than at any previous time.

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<sup>42</sup> Thompson, p. 16.

3. The increase in the expected life span. Many more adults are reaching retirement age and have accumulated a sizeable pension or retirement fund.
4. The movement away from center city living. Although the majority of Americans work in large cities, the trend is toward commuting from increasing distances outside the city perimeter.
5. The increasing desire on the part of Americans to own a second home. A study made by the University of Michigan Survey Research Center concludes that 50% of metropolitan families would like a second home, and 10% are already saving toward one.<sup>43</sup>
6. Better and less expensive means of transportation. This increases the mobility of the average American.<sup>44</sup>

These seem to be the principal factors which are precipitating the rise in the condominium concept of home ownership.

There are two basic reasons for the condominium concept becoming more prevalent. First, entrepreneurs are becoming more concerned with methods of profitably utilizing barren land around their properties.<sup>45</sup> Operators

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<sup>43</sup> Roger H. Thompson, American Builder Magazine, August 1966, p. 47.

<sup>44</sup> The long range effects of the energy crisis may alter this trend.

<sup>45</sup> Thiebert, p. 9.

can no longer expect to perpetuate profits by merely preserving the status quo of their properties in a society of fast changing markets, tastes, competition, modes of travel, and rising costs.<sup>46</sup>

Second, the long lead time required by commercial corporations for funding new resort areas has become increasingly more dismal. The high capital outlays required for development before returns are evidenced, coupled with the seasonal uncertainty of such enterprises, is generally unacceptable to corporate stockholders.<sup>47</sup> Condominium sales to private investors now make it possible to realize capital gains within a year or two after the project becomes operable.

The optimism generally associated with the increasing trend toward condominium capital financing must be tempered to some degree by the reality of the concept. Condominiums are not a panacea for the industry. In specific situations, the profits have been excellent. However, the characteristics inherent in condominium life styles will eliminate this method as a financing alternative in many properties.

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<sup>46</sup> Ibid.

<sup>47</sup> "Guidelines," p. 4.

First, a very favorable and attractive terrain must be available before condominiums could be considered. The most carefully planned structure probably would not succeed near a polluted municipal waterway, while a less appealing structure probably would have a high chance of success if it were located in a scenic area, such as the Rocky Mountains. Consequently, topography and climatic conditions must weigh heavily in condominium consideration.

Second, the market must be defined very carefully and an analysis should be made to determine the market size for the project under consideration. The typical condominium purchaser will pay for and demand many more amenities than the average apartment renter. These luxuries can only be paid for by someone who enjoys a reasonably high standard of living and recognizes that a condominium is an investment rather than just a second home. It seems unlikely that young married couples, with or without children, or a representative middle-class older couple whose children have left home would command the resources to demand such luxuries or pay the higher rent. The increased costs of a condominium arise because of the expense of creating a desirable, self-contained community, including home-expected amenities within an enclosed unit.

The typical profile of a resort condominium buyer might be similar to the one used by the Innisbrook project

in Tarpon Springs, Florida. The profile is that of a professional man--doctor, lawyer, dentist, consultant--who is between 45 and 55 years of age, whose children are of college age or older, and who is a golfer living in the midwest.<sup>48</sup> These constraints may seem to unduly narrow the market because of the luxury golf atmosphere being promoted, however, the prospect profile does not appear inconsistent with that of other projects.

After a prospective clientele market has been established, the task of locating financing is the next hurdle. Edward S. Brown, Vice President of Strouse, Greenberg Mortgage Company of Philadelphia states, ". . . don't buy land or incur any major expenses until you have financing completely tied down or unless you can put up approximately 30% of the cost in cash."<sup>49</sup> He doubts whether a well-conceived condominium could be built, unless backed by extreme wealth. He feels that too often lenders have approached condominiums as if they were apartment buildings. In terms of financing, this often necessitates that condominium developers operate with many of the same restrictions which lenders impose on apartment builders.

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<sup>48</sup> "Resort Hotel Condominium Operation," Cornell Hotel and Restaurant Administration Quarterly, February 1973, p. 67.

<sup>49</sup> "Lessons Learned in Condominium Financing," Buildings, July 1972, p. 51.

The first of these restrictions is the pre-sales technique which is similar to a holdback apartment house loan. This is the establishment of a minimum and maximum loan amount. The maximum loan amount becomes available when a certain percentage of units are sold. Otherwise, the lender will grant the floor loan amount, which is typically 75% of the maximum with a 15% holdback requirement. Under these conditions, the floor loan might be \$5 million on an \$8 million property. In order to receive the maximum funding of approximately \$7,500,000, the pre-sales requirement would have to be met. This means selling from blueprints which most people would have difficulty understanding or selling from a model which necessitates a 1½- to 2-year lag. Neither alternative is desirable.

A second limitation which lenders often place on condominium developers is the utilization of a phasing technique which provides financing for construction of a sample of units as the first stage of the project. To construct the remaining units in the project, the sale of a majority of units in the previous stage must be completed. This method causes legal and marketing problems as well as an increase in the cost of construction. Legally, the documentation would require that each of the stages be treated as separate condominiums. The marketing approach

could not be a total, united effort, but rather, a number of time separated programs. Consequently, it would be more difficult to promote the community concept.

As the condominium concept continues to become more popular, the lending community has begun to give indications that it will consider this type of investment on its own merits. At the present time, however, developers must fully realize the constraints under which they may be asked to operate.

### Rental Conversion

Many developers are finding new opportunities in urban areas by successfully converting rental units to condominiums. The benefits derived by a developer who successfully converts are the following:

1. Profits ranging from 15% to 20% of the sales price in a condominium conversion are not uncommon, whereas 10% profit is the most commonly sought target in new construction.<sup>50</sup>
2. No heavy construction is necessary in the conversion, although considerable renovation costs may be incurred.

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<sup>50</sup> Herbert Aist, "Condominiums Conversion, Part I," House and Home, February 1973, p. 60.



3. Sales of the individual units as condominiums will most likely result in a greater return than the sale of the building as a single entity, i.e., a successful conversion allows the sale of the individual units for a higher price than investors would be willing to pay based on income from rentals.

The selling price of these units has been determined in a multitude of ways; however, all methods relate to the market and the availability of other forms of housing. One approach is to compare the rental value of the unit to the monthly costs of owning it. A comparison with the rental rate is especially important in lower priced units. Prospective clientele for these properties appear to be very price conscious and are not likely to pay for a condominium if they can find a suitable apartment for a lesser amount. Conversely, a buyer who can afford a luxury unit has fewer objections to paying additional monthly charges. If he can afford a more expensive unit, the buyer most likely is in a higher tax category, and deductions will compensate for increased costs.

If single family residences are seen as a major competitor, the principal means of reaching this market is price promotion. The price level should be approximately 30% below single family houses of equal square footage and

amenities.<sup>51</sup> Only in areas where housing is limited can justification be found for charging prices which approach those of a single family house.

A common problem with this type of conversion is determining what to do with the tenants currently occupying the building. If extensive renovation of the less expensive apartments is planned (raising their value significantly), most of these tenants probably could not afford the costs associated with condominium ownership and could be expected to vacate at the earliest opportunity.

Those occupying the higher rental units are more likely to be converted to condominium living. As noted before, these tenants can usually afford higher monthly payments, and condominium ownership offers them tax advantages. The most prevalent approach is to offer them first chance at owning their own or another unit in the building. Occasionally they are given added incentives, a price break, or a special decoration package. Obviously, the more renters who switch to the condominium mode, the easier conversion becomes. Additionally, we might expect further benefits of reduced promotional expense and lessened tenant hostility to the conversion.

In cases where it is expected that most tenants will be lost during changeover, care must be taken not to

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<sup>51</sup> Ibid.

lose rental payments too quickly. It is required that 51% of the units be sold before a building can become a legal condominium (some lenders require 60% to 80%). It must be remembered that while the conversion is in progress, income is being lost while expenses continue.<sup>52</sup>

Getting the proper financing for the project is often the major problem. One of the reasons is that refurbishing creates a cash flow problem, with money going out before it is returned as sales. A major problem is that no lender will perceive the value of the building as a condominium until it becomes a condominium. As a result, the loan will be based on the building's value as a rental unit, which is well below that of a condominium.

The financing method most commonly used is the bridge mortgage. In this case, the lender makes a maximum loan based on the value of the building as a rental. But the mortgage is written so that, as units are sold they are reconveyed and the mortgage is increased on those units because they are then condominiums and have higher value.<sup>53</sup>

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<sup>52</sup> Percy Wagner, "Analyzing and Appraising Condominium Projects," Appraisal Journal, October 1971, p. 579.

Herbert Aist, "Condominium Conversion, Part II," House and Home, March 1973, p. 64.

### Condominium Appraisal

Appraisal of the condominium unit poses unusual problems because of the nature of condominium ownership. Not only are we concerned with individual unit ownership, but also the joint ownership of the common elements. Therefore, the value assigned to a condominium unit must include consideration of both of these aspects.

The individual unit value is rather easy to calculate; however, the valuation of the common elements presents some annoying problems. The master deed assigns each unit its percentage of interest in the common elements, largely on the basis of square footage of space, and location--exposure in the structure, and other position elements.<sup>54</sup> However, the total value is the figure which is so difficult to determine.

There are three approaches to the determination of value. The first method is the cost approach which is weak because the value of the common elements cannot be accurately ascertained without an appraisal of the entire structure. This has consistently led to guesses in the apportionment of the common elements.

The second approach is called the market or comparison approach. This approach must be predicated on:

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<sup>54</sup> Vincent J. Hubin, "Consideration in Condominium Appraisal," Appraisal Journal, January 1971, p. 78.

1. A sufficient number of recent comparable sales.
2. A correct interpretation of the contractual conditions and limitations involved in each comparable sale.
3. An analysis of the level of management.
4. The rights and responsibilities of the owners in the comparable units.
5. The location, square footage, and exposure in the structure and other elements.<sup>55</sup>

All of these factors must be carefully analyzed and adjusted before we could compare the unit to be valued with another property. This approach might prove successful in an area where many condominium units exist (California, Colorado, etc.), but in areas such as the East South Central Region (Kentucky, Tennessee, Mississippi, Alabama), the results would be unsatisfactory.

The third approach, the capitalization of income, can be effectively utilized in condominium appraisal. Three elements are required to utilize this method: the estimate of anticipated net operating income, the time period in which this flow will accrue, and the discount rate.<sup>56</sup>

This method has been attacked because the condominium does not produce a net operating income which is similar to that which a normal investment would provide.

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<sup>55</sup> Ibid., p. 79.

<sup>56</sup> Ibid.

However, the condominium does provide a net operating income which is the difference between the rent received from the unit and the maintenance charges assigned to that unit. This is based upon the assumption that the rent received will be greater than the maintenance charges. This appears to be a valid assumption because, if maintenance fees are greater than possible rent received, the unit will not sell except under very unusual circumstances.

### Marketing Considerations

#### External Environment

A managerial pundit once mused that there are three important concerns in the marketing of hospitality services-- location, location, and location. Indeed, even a cursory survey of the pertinent literature makes apparent the emphasis which many authors place on this aspect of condominium marketing. However, most also recognize that in addition to actual site location, there are the significant aspects of physical environment, public access, status appeal, and convenience which will play important roles in the creation of a successful condominium project.<sup>57</sup>

Many condominium developers have adapted variations of a format prepared by the Apartment Management Institute

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<sup>57</sup> Wagner, p. 577.

for the appraisal of a community's features. They feel an apartment manager should know:

1. Income level--what kind of people live in the immediate vicinity? Occupation? Where do they work? Ages?
2. Character of neighborhood--is it residential, apartment, commercial, or industrial?
3. The view--is it attractive?
4. Noise level--is it quiet?
5. Shopping centers--how close are they?
6. Transportation facilities--are they nearby?
7. Highway routes--is there quick access?
8. Recreational areas--what are they and how far?
9. Points of interest--what are they and how far?
10. Education facilities--for both children and adults?
11. Employment--how far to work?<sup>58</sup>

This adaptation is curious in light of the often repeated complaints of builders and developers that financial institutions must consider condominium projects as entities bearing little relationship to apartment complexes.<sup>59</sup> It is also interesting that only one author could be found who suggests identification of possible

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<sup>58</sup> Apartment Management Institute, Apartment House Management, p. 4.

<sup>59</sup> "Lessons Learned," p. 51.

alternative uses of a property to condominium development in order to better assess potential risks and returns.<sup>60</sup>

These alternative uses for property under consideration are directly related to the supply and competitive factors analysis. Once again it appears as if condominium developers have adopted the techniques of a different but related industry--hotels. Most supply analyses seem to be adaptations of the typical hotel format which follows. It is not difficult to envision "hotel" replaced by "condominium" and the substitution of other terms to fit the condominium nomenclature.

- A. Definition and description of the local hotel market
  1. Inventory of all acceptable transient accommodations, sub-grouped to indicate 'most competitive,' and 'somewhat competitive'
    - Number of rooms
    - Published rates
    - Maps showing groupings of hotels by areas within city
  2. New hotel construction since 19\_\_
    - Name of hotel and its location
    - Date of completion
    - Number of rooms
    - Quality and extent of facilities
  3. Overall hotel occupancy
    - Historical trend since 19\_\_ for local market
    - Current year occupancy
- B. Identification of principal competitive hotels as to their:
  1. Location
  2. Number of rooms

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<sup>60</sup> Tan Tek Lum, "Feasibility Analysis of Condominiums," Appraisal Journal, April 1972, pp. 247-248.



3. Average room rate
4. Occupancy
5. Quality of facilities and services offered
6. Composition of trade.<sup>61</sup>

It is not the intention of the foregoing to intimate that adaptations of techniques and processes from other accommodations industries have been incorrectly applied. Rather the purpose has been only to indicate that the use of this information has occurred as part of a natural and positive evolution. Additionally, any studies of the external environment are likely to seek the answers to such questions as:

- A. What is the current absorption?
- B. Is there consistent demand now and in the future?
- C. What share of the market can the project attain?
- D. What is the most acceptable price range and can it be built at that price?
- E. What are the necessary design factors and amenities to gain market acceptance?<sup>62</sup>

### Internal Environment

There are two basic parts to a condominium--the services core, which may consist of such things as food and beverage, recreational facilities, housekeeping, etc.;

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<sup>61</sup> Jack N. Hodgson, "The Feasibility Study," Cornell Hotel and Restaurant Administration Quarterly, November 1968, p. 45.

<sup>62</sup> Fidelity Realty and Investment Company, "How to Define the Local Market for Quads and Townhouses" (mimeographed).

and secondly, the units themselves. Each core has its own particular design based on market size and the functions it must perform. However, the unit design is often standardized with only slight adaptations to accommodate various markets and terrain. Several important considerations to remember when designing a layout are:

1. The units are designed to be used both for single owner occupancy and for easy division into multiple rental units.
2. There are adequate interconnections between the core and the units.
3. The design lends itself to phased construction and has ample expansion potential.
4. The design utilizes efficient cost factors.<sup>63</sup>

With respect to the design of the inside of the individual units, it is necessary for the designer and the developer to work closely to establish a budget which results in the best design and merchandising potential for the allocated funds. The first step is for the marketing staffs of the decorator and the builder to identify the prospective buyer or renter. Only then, can the internal design strategy and a realistic budget evolve. Factors

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<sup>63</sup> Herbert W. Riemer, "Design of Resort Condominiums," Cornell Hotel and Restaurant Administration Quarterly, February 1972, p. 21.

that come into play in a designing budget are: the sale price of the units, the demographic profile of the prospective buyer, the overall number of units in the project, and the amounts competitors are spending.<sup>64</sup> One organization, Sunrise Corporation, actually uses a formula to determine its interior design budget. Square footage of a unit is usually multiplied by \$10; a higher figure is used for the luxury market, and a lower figure for the economy market.<sup>65</sup>

Mr. Bayne Sparks, vice president of the Grant Company, a large project developer, believes decorating expenses are well-founded. Mr. Sparks says the well-decorated model will sell quickly, and that the builder can often recover from 50% to 70% of his original investment.<sup>66</sup>

#### Demographic Factors

Profiling the prospective condominium buyer begins by determining essential vital statistics such as age, sex, marital status, occupation, income, family size, and geographical origin.<sup>67</sup> Although it is difficult

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<sup>64</sup> Ibid.

<sup>65</sup> Carole Eichen, "The Merchandising Scene," House and Home, April 1973, p. 56.

<sup>66</sup> Ibid.

<sup>67</sup> Lum, p. 249.

to generalize in these terms for the entire condominium market, it appears that buyers can be grouped into several broad categories.

The largest and most profitable market appears to be the empty nesters--older married couples with no dependent children.<sup>68</sup> These buyers are interested in condominiums as a means of preparing for retirement and to provide cash incomes to allow greater discretionary spending. This additional income most often is used for leisure goods and services such as travel, recreational vehicles, dining, sporting equipment, etc.<sup>69</sup>

Mr. James R. Gitre feels that conveniences such as nearby transportation and shopping centers are important for empty nesters. His American Condominium Corporation has concentrated its efforts on the empty nester market. Their experience shows that this market segment wants a secure neighborhood, freedom from worry about deterioration, and a wholesome environment. Additionally, these buyers are usually slow in arriving at the purchase decision and their financial resources are the prime determinant of the room sizes they choose. Usually, they tend toward large

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<sup>68</sup> Ronald R. Gist, Marketing and Society Text and Cases, 2nd ed. (Hinsdale, Ill.: Dryden Press, 1974), p. 107.

<sup>69</sup> Interview with Jay Chamberlain, Fidelity Realty Company, Lansing, Michigan, October 1974.

condominium units since they are accustomed to large houses.<sup>70</sup>

A second segment of the condominium market consists of singles--unmarried, divorced, or widowed--with no family obligations or responsibilities. These buyers seem to have few demographic characteristics in common. They represent a multitude of ages, ethnic and social backgrounds, and financial circumstances. However, there seems to be one basis for at least a partial segmentation. If they are young, they prefer proximity to entertainment and downtown facilities, and they consistently ask for recreation facilities such as tennis courts and swimming pools.<sup>71</sup>

The final market segment to be considered in the purchase of second-home condominiums may be characterized as those people interested in mixing profits with pleasure. These prospects are pennywise vacationers who are not willing to pay \$100 to \$125 per day for a double bedroom, and to occupy their own condominium on a temporary basis exactly fits their needs. Thus, they can enjoy the sun, beach, ski slope, pool, or other available recreational

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<sup>70</sup> Abdellatif Loussaif, "Condominium: Its Market and Future," East Lansing, Michigan, 1973, p. 5.

<sup>71</sup> Chamberlain.

facilities when they so desire, and can earn additional income when they do not occupy their units.<sup>72</sup>

These prospects are not necessarily from the upper income strata. As one developer said, "Buyers range all the way from well-heeled globe-trotters who have long escaped the burdens and responsibilities of a second home to young swingers who probably could not buy a primary house at today's price."<sup>73</sup>

These market profiles appear somehow to be an incomplete basis on which to commit large amounts of funds and other organizational resources. We may know, for instance, that the typical condominium purchaser in a given project "is 47 years old, earns over \$15,000 (90%), has no children (75%), and holds a white collar job."<sup>74</sup> However, we also know, and it "has been proved through research and experience, that people who buy condominium homes, don't buy stone, mortar, steel, and glass, but a way of life."<sup>75</sup>

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<sup>72</sup> "Business Bulletin," Wall Street Journal, 23 March 1973, p. 1.

<sup>73</sup> Loussaif, p. 8.

<sup>74</sup> "What It Takes to Market a Condominium," Buildings, January 1971, p. 59.

<sup>75</sup> Ibid.

## Psychographic Factors

Psychographics has been defined as:

. . . seek[ing] to describe the human characteristics of consumers that may have a bearing on their response to products, packaging, advertising, and public relations efforts. Such variables may span a spectrum from self-concept and life style to attitudes, interests, and opinions, as well as perceptions of product attributes.<sup>76</sup>

Although no studies directly linking condominiums with specific emotional-attitudinal variables could be found, the implied importance of this research dimension becomes evident if we read between the lines in the publications which extol the virtues and the benefits of condominium ownership. Many statements are found that parallel the following in style and manner:

Open the curtains, slide back the glass door and step out onto the balcony. Sixteen stories below you the surf is washing up on the beach. The salt air is blowing stiffly through your home.

You are in a condominium, a special way of life that has become somewhat of a symbol. . . .<sup>77</sup>

Another author says:

Americans are spending a hundred billion dollars on escapism, known as leisure activities. They are looking for maintenance freedom and minimum involvement with their homes. . . .

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<sup>76</sup> Emanuel Demby, "Psychographics and From Whence It Came," in Life Style and Psychographics, ed. William D. Wells, American Marketing Association, n.d., p. 13.

<sup>77</sup> "Florida Condominiums to Total 103,000," Detroit Free Press, 21 January 1973, p. C-16.

Time conservation means that people are finally recognizing that time wasted on lawns and maintenance is non-productive and adds little or nothing to equity. Professional management of amenities means less involvement of time and effort.<sup>78</sup>

These and similar statements in no way diminish the importance of traditional demographics in identifying important differences in peoples' circumstances, which may be reflected in buyer behavior. However, they do seem to suggest that demographic data alone may be an inadequate means of segmentation for the condominium markets and appear to further emphasize what already has been recognized as the limitations of the demographic classifications.

1. People from different demographic groups often show similar purchasing behavior;
2. People from the same demographic groups--people with similar incomes, household sizes, and the like--often show very different purchasing behavior;
3. Even where demographic classifications are closely related to buying, they may only tell part of the story . . . ;
4. Sometimes, a demographic variable is an indirect representation of an underlying need.<sup>79</sup>

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<sup>78</sup> "Condo Seen as Wave of Future," Lansing State Journal, Lansing, Michigan, 20 May 1973, p. F-7.

<sup>79</sup> J. A. Lunn, "Psychological Classification," in Essentials of an Effective Marketing Program: Readings, ed. John L. Kraushaar and Louis H. Vorzimer (Braintree, Mass.: D. H. Mark Publishing Company, 1970), p. 54.



Behavioral models for analyzing buyers have been utilized since before the recognition of marketing as a formal discipline. These theoretical approaches attempt to analyze what happens in the buyer's mind between the time he first perceives the product and its attributes and the act of making the purchase decision.<sup>80</sup> There are five basic models which have been used and which have been modified or combined to yield nearly all contemporary approaches.

1. The Marshallian economic model emphasizes buyer rationality, the maximization of self-interest, and the careful deliberation of alternative purchase decisions to derive the greatest utility. Economic cues such as price and income are variables of paramount importance.<sup>81</sup>

2. The Pavlovian learning model is based on the concepts of drive, cue, response, and reinforcement.<sup>82</sup> The application of the model to promotional strategies is well-practiced, if not often recognized. Repetitive advertising and certain strategies to induce brand switching are two examples.

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<sup>80</sup> Philip Kotler, "Behavior Models for Analyzing Buyers," in Marketing and the Behavioral Sciences, ed. Perry Bliss (Boston: Allyn and Bacon, Inc., 1967), p. 543.

<sup>81</sup> Alfred Marshall, Principles of Economics (London: The Macmillan Company, 1927).

<sup>82</sup> John Dollard and Neal E. Miller, Personality and Psychotherapy (New York: McGraw-Hill Book Co., Inc., 1950), Chapter III.

3. The Freudian psychoanalytic model accentuates inner motivations and symbolic product concerns which may take place at a conscious or unconscious level. Gratification of instincts and needs at the subliminal level may manifest itself in socially acceptable and rationalized behavior on a conscious plane.<sup>83</sup> For example, perhaps a buyer believes a condominium is purchased as a wise investment. However, in actuality he may instinctively be making the purchase because it is a status symbol.

4. The Veblenian social-psychological model stresses the responsiveness of the buyer to the social forces of peer and reference groups and to his self-image as obtained through his relationships with others.<sup>84</sup> The utilization of this model in marketing is apparent in such things as the design of communications nets and the selection of media to reach specific social classes.

5. The Hobbesian organizational factors model is concerned primarily with the industrial buyer who attempts to reconcile individual and organizational goals.<sup>85</sup> It

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<sup>83</sup> L. Edward Scriven, "Rationality and Irrationality in Motivation Research," in Motivation and Marketing Behavior, ed. Robert Ferber and Hugh G. Wales (Homewood, Ill.: Richard D. Irwin, Inc., 1958), pp. 69-70.

<sup>84</sup> Thorstein Veblen, The Theory of the Leisure Class (New York: The Macmillan Company, 1899).

<sup>85</sup> Thomas Hobbes, Leviathan (London: G. Routledge and Sons, 1887).

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appears to be of minor importance in this study, because a minimal number of condominiums are purchased solely for organizational use.

Thus, the validity and the value of psychographic analysis and segmentation of consumer markets has long been established. More recently, researchers at the forefront of marketing thought have expressed similar feelings.

Among the most relevant investigations of consumption are those that focus on behavior as part of the broader sweep of problem-solving situations. They are concerned with cognitive problem-solving by individuals, families, and households, and segmenting markets by attitude and behavior rather than solely on a demographic basis.<sup>86</sup>

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<sup>86</sup> William Lazer, Marketing Management, A Systems Perspective (New York: John Wiley and Sons, Inc., 1971), p. 458.

## CHAPTER 3

### RESEARCH DESIGN

Like many studies, this research effort is the result of a synthesis of ideas which are employed to enhance and crystalize a fundamental concept. It is axiomatic in marketing that the organization must have a basic knowledge of the characteristics and attitudes of potential target markets in order to fulfill the criterion of providing a "need-want satisfier system."

As one has assuredly deduced from reading the literature survey, the quality and quantity of such knowledge is apparently lacking in the marketing of second-home condominiums. Therefore, two conclusions, one following from the other, seem in order. First, the marketing effort in this area is being expended without sufficient knowledge of the target market, if indeed a target market has been identified. Second, a comprehensive description of the market would add immeasurably to a needed body of knowledge and marketing practice.

Since so little information is available, it was decided to make the study exploratory in nature, i.e., to select a limited number of potential market dimensions and

test them as to their efficacy in defining markets for second-home condominiums, and, thereby, profile the target market(s). To select relevant variables for inclusion in a research instrument to be completed by condominium owners, the counsel of professionals directly involved in the sale and marketing of the product was sought.

### Preparatory Survey

The purpose of this initial survey was to discover which demographic, psychological, and social factors personnel directly involved in the marketing of second-home condominiums thought were the most relevant for use in the delineation of target markets, management of product adjustment, and use in designation of a promotional mix. The selected factors would then be tested in a questionnaire sent to a sample of condominium owners to determine which (if any) of the factors were possessed to any significant degree. The cover letter, questionnaire, and a tabulation of responses are included in Appendices A and B.

### Selection of Sample

The sample was selected by utilizing the list of registrants for the First Conference-Workshop on Regulation and Registration of Second-Home Rental Condominiums.<sup>1</sup> This

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<sup>1</sup>Proceedings of The First Conference-Workshop on Regulation and Registration of Second Home Rental Condominiums. Publisher unknown, February 1972, pp. 142-149.

conference-workshop took place February 16-19, 1972, in Lincoln City, Oregon.

After duplicate addresses and surnames, incomplete addresses, and persons working for governmental agencies were eliminated, the mailing list included 110 builders, brokers, sales personnel, attorneys, architects, owners and managers, consultants, and other professionals in the field. This list was felt to be a reasonably representative cross section of people most likely to have a good working knowledge of the desired information.

Additionally, although the conference was specifically concerned with registration of condominiums as securities, it was felt that because of the newness of the topic at that time, the list of registrants would include those people most active in, and most concerned with, condominium affairs and therefore most likely to respond to the survey. This opinion was borne out as the response rate approached 45%.

#### Collection of Data

Each member of the sample was sent a three-page survey with a personalized cover letter explaining its purpose and asking for assistance. A self-addressed return envelope was also enclosed.

Each questionnaire was divided into three principal categories concerning the respondent's opinion of potential condominium owners:

1. demographic and life cycle characteristics;
2. emotional-attitudinal characteristics; and
3. social factors influencing condominium purchases.

Academic terminology was reduced to more informal language so as to make the questionnaire easily understandable. Multiple responses were asked for so that the widest range of consensus might be achieved.

Additionally, each potential respondent was asked about other possible sources of information and willingness to support the research. From a mailing of 110 questionnaires, there were 48 responses, or a 43.6% return.

### Summary and Conclusions

It should be emphasized immediately that the preparatory survey was not analyzed in any statistically meaningful way. The reader is reminded that this effort was directed solely at obtaining an impression of which variables might be worthwhile for inclusion in a questionnaire to condominium owners.

In addition to the comments on the demographic, emotional-attitudinal, and social factors, one salient point for our purposes became quite evident. The previously



completed "research" studies cited by respondents consisted almost entirely of unsupported opinion and judgment based on faith rather than on evidence. This fact served to strengthen the writer's belief in the need for this study.

The agreement of respondents as to the relative significance of certain demographic factors was immediately obvious. Fully one-third of the responses indicated that income was a most important factor describing buyers of condominiums. Surprisingly, although they were matters of concern, two factors which correlate highly with income, namely occupation and education, were considered to be of less value. The three most important factors were considered to be income (33.9% of responses), occupation (20.7%), and age (17.4%).

There seemed to be relatively little consensus among the respondents as to which psychographic factors would be most important in describing condominium purchasers. Distribution of the responses was nearly uniform. However, the attributes receiving the most responses were egocentricity, proneness to taking risk, status consciousness, sophistication, and sociability.

The social factors asked about revealed an overwhelming number of responses (30.0%) indicating that increased leisure time would be responsible for condominium growth. Next in order were crowded cities (18.8%) and rising prices (12.8%).

Using this inquiry as a basis and then collating it with the literature review and interviews with industry leaders, the variables for inclusion in the questionnaire to condominium owners were selected. The respondents who answered positively to the question of financial support were found to desire the exercise of control over the study. Rather than compromise academic integrity, such assistance was declined.

### Principal Questionnaire

Set forth below are the framework and methodology employed in the research. Even though the dimensions of the problem have been delineated in Chapter 1, a more complete and detailed explanation concerning the design and execution of the questionnaire to second-home condominium purchasers is presented. A copy of the questionnaire can be found in Appendix C.

### Selection of Sample

At the request of the researcher, a California-based organization, primarily concerned with the management of condominium units, drew a sample of 1,800 condominium owners from a list of clients for a small administrative charge. The list was scrutinized. Duplicate last names and duplicate or incomplete addresses were removed. This resulted

in a mailing of 1,680 questionnaires. Surprisingly, 15.2% of the mailing was returned as undeliverable, yielding a potential test sample of 1,425. The sample size was tested utilizing the appropriate statistical techniques outlined by Siegel<sup>2</sup> and found to be satisfactory using an allowable alpha error of .05. The firm provided the sample only after assurances of anonymity and that the list would not be used for commercial purposes.

Because the company is located on the West Coast, the list of sample names reflects a heavy representation in Pacific and Mountain states. However, the geographical dispersion of the sample is also indicative of the areas most responsible for the building and growth of condominiums. The single exception where the sample may lack representativeness is in Florida (only two sample items). The actual geographical distribution of the sample is described in Table 3-1.

#### Collection of Data

Each member of the sample was sent the questionnaire with a cover letter that explained the purpose and intent of the research. A form letter was developed on Michigan State University letterhead and then reproduced on a mechanical

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<sup>2</sup>Sidney Siegel, Nonparametric Statistics for the Behavioral Sciences (New York: McGraw Hill Book Company, 1956), p. 10.

TABLE 3-1

## GEOGRAPHICAL DISTRIBUTION OF MAILED QUESTIONNAIRES

	Posted	Returned--Not Deliverable	Received by Potential Respondents
1. New England States (Me., Vt., N.H., Mass., R.I., Conn.)	60	6	54
2. Middle Atlantic States (N.Y., N.J., Pa.)	56	6	50
3. South Atlantic States (W. Va., Md., D.C., Del., Va., N.C., S.C., Ga., Fla.)	126	20	106
4. East North Central States (Wis., Mich., Ill., Ind., Ohio)	144	32	112
5. East South Central States (Ky., Tenn., Miss., Ala.)	7	1	6
6. West North Central States (N. Dak. S. Dak., Minn., Nebr., Iowa, Kans., Mo.)	112	10	102
7. West South Central States (Tex., Okla., Ark., La.)	49	11	38
8. Mountain States (Ida., Mont., Wyo., Nev., Utah, Colo., Ariz., N. Mex.)	420	83	337
9. Pacific Coast States (Wash., Ore., Calif.)	653	75	578
10. Alaska and Hawaii	<u>53</u>	<u>11</u>	<u>42</u>
Total	1,680	255	1,425

stenographic machine. To promote a feeling of exclusivity and personalization, names, addresses, and an individualized salutation were then inserted using ink and type font matched to the body of the letter. Each letter appeared to be individually typed. Each letter was hand signed. A copy of the letter is included in Appendix C.

It was felt to be impractical to ask respondents to take the time necessary to complete a four-page mail questionnaire. Therefore, the psychographic variables were divided into three groups (forms A, B, and C). An equal number of each form was distributed to the sample. This was accomplished by alphabetizing the sample and then mailing one of the forms to every third name. This technique resulted in a questionnaire of one two-sided page which would take respondents approximately 20 minutes to complete. To clarify: section one, containing demographics, of each questionnaire was uniform throughout the entire sample; however, section two contained different tests for psychographic variables in each subsample.

The number of people receiving each form continued to meet the criteria for proper sample size. Additionally, the Kolmogorov-Smirnov two-sample test described below was applied to certain demographic data and it was found that the three subsamples were not significantly different and could have come from the same population.

The questionnaire was self-administered and designed to be self-explanatory. To facilitate administration and later editing and coding, only objective, limited choice, fully categorized questions were used. It was felt that this technique would encourage a uniformity of response not possible with open-ended questions.

#### Distribution of Data

Table 3-2 shows the geographical distribution of returned questionnaires for each form and for the total sample. It is observed readily that there is little variance in the total number of each form returned. Table 3-3 indicates the percentage of returns from each geographical area. It is felt that two areas should be considered atypical. The East South Central States (Kentucky, Tennessee, Mississippi, and Alabama) contain too few items to merit serious attention. The East North Central States (Wisconsin, Michigan, Illinois, Indiana, and Ohio) because of their proximity to Michigan State University and the implied sponsorship through the use of its letterhead, perhaps, gave the sample members in this area a feeling of identification and familiarization not realized in the other areas. Discounting these states, the range of percentage variation is 13.4. These data are presented, not because they are felt to be significant, or because they

TABLE 3-2

## GEOGRAPHICAL DISTRIBUTION OF USABLE RETURNED QUESTIONNAIRES

	Form A	Form B	Form C	Total
1. New England States (Me., Vt., N.H., Mass., R.I., Conn.)	4	6	5	15
2. Middle Atlantic States (N.Y., N.J., Pa.)	6	6	8	20
3. South Atlantic States (W. Va., Md., D.C., Del., Va., N.C., S.C., Ga., Fla.)	8	16	8	32
4. East North Central States (Wis., Mich., Ill., Ind., Ohio)	15	22	18	55
5. East South Central States (Ky., Tenn., Miss., Ala.)	--	1	2	3
6. West North Central States (N. Dak., S. Dak., Minn., Nebr., Iowa, Kans., Mo.)	18	9	15	42
7. West South Central States (Tex., Okla., Ark., La.)	2	7	3	12
8. Mountain States (Ida., Mont., Wyo., Nev., Utah, Color., Ariz., N. Mex.)	42	22	53	117
9. Pacific Coast States (Wash., Ore., Calif.)	62	76	66	204
10. Alaska and Hawaii	7	3	6	16
11. Unknown	<u>5</u>	<u>5</u>	<u>4</u>	<u>14</u>
Total	169	173	188	530

TABLE 3-3

## PERCENTAGE OF RETURNS FROM EACH GEOGRAPHICAL AREA

	Number Mailed	Usable Returns	Percent
1. New England States (Me., Vt., N.H., Mass., R.I., Conn.)	54	15	27.8
2. Middle Atlantic States (N.Y., N.J., Pa.)	50	20	40.0
3. South Atlantic States (W. Va., Md., D.C., Del., Va., N.C., S.C., Ga., Fla.)	106	32	30.2
4. East North Central States (Wis., Mich., Ill., Ind., Ohio)	112	55	49.1
5. East South Central States (Ky., Tenn., Miss., Ala.)	6	3	50.0
6. West North Central States (N. Dak., S. Dak., Minn., Nebr., Iowa, Kans., Mo.)	102	42	41.2
7. West South Central States (Texas, Okla., Ark., La.)	38	12	31.6
8. Mountain States (Ida., Mont., Wyo., Nev., Utah, Colo., Ariz., N. Mex.)	337	117	34.7
9. Pacific Coast States (Wash., Ore., Calif.)	578	204	35.3
10. Alaska and Hawaii	42	16	38.1
11. Unknown	--	<u>14</u>	<u>--</u>
Total	1,425	530	37.2



affect the results of the research, but only as information to the reader.

#### Editing, Coding, and Tabulation of Data

The respondent group proved to be highly proficient in completing the questionnaires. Only 19 of the returned questionnaires were found to be unusable. It is believed that this resulted because as many questions as possible were formulated in an objective, closed framework which established the parameters for the range of responses. This also made coding and tabulation a much easier task than if open-ended questions had been employed.

Because the questionnaire was not pretested, there were an expected number of omissions and discrepancies. However, these did not affect the tabulation. Where interpretations were necessary, intentions not clarified, or omissions occurred, no judgment was made by the researcher and no response to that item of the questionnaire was included.

Subsequent to coding, responses were transferred to standard IBM cards, one card for each questionnaire.

#### Processing of Data

In the analysis of the research data, it was necessary to decide if the three subsamples could be regarded as having come from the same population.

Since it rarely happens that sample values are identical, the problem was to determine whether the differences observed between the subsamples should be regarded as differences among populations or whether the differences were due merely to chance variations that can be expected from separate samples of the same population.

To assure that such differences came from chance variation, each of the independent demographic variables was subjected to the Chi-square test for three independent samples. This was accomplished by means of the computer program CSQ, which is part of a larger nonparametric program developed by Michigan State University's Computer Institute for Social Science Research.<sup>3</sup> This test was performed on each item included in the demographic data.

Additionally, the Kolmogorov-Smirnov was performed on three items--occupation, income, and education. Taken together these data are almost universally recognized as a measure of social class,<sup>4</sup> and therefore, perhaps one of the most important measures in the demographic description. The two-tailed Kolmogorov-Smirnov test is concerned with the agreement between two cumulative distributions. If the two

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<sup>3</sup>Michigan State University, Computer Institute for Social Science Research (CISSR), Technical Report No. 42.

<sup>4</sup>U.S. Bureau of the Census, Methodology and Scores of Socioeconomic Status, 1960; and Alba M. Edwards, "A Social Economic Grouping of the Gainful Workers of the United States," Journal of the American Statistical Association 28 (December 1933): 377-378.

samples have been drawn from the same population, then the cumulative distribution of both samples may be expected to be fairly close and show only random deviations from each other. The test is very sensitive to almost any kind of distributional difference and has a power efficiency of .96.<sup>5</sup> Being one of the strongest nonparametric tools, it was used to confirm the findings of the Chi-square test. It was applied through the computer program called KOL.<sup>6</sup>

The psychographic data for each subsample were tabulated and ranked according to the number of respondents achieving a particular score. The applicable measures of central tendency (mean and median) were calculated along with the standard deviation. While it is realized that the statistical analysis was rather modest in extent, the exploratory nature of the study demanded identification of relevancy, which is best accomplished through observation, rather than statistical significance, which suggests comparison with an existing set of data. Also, the basic purposes of the study to provide market description and fundamental knowledge would be accomplished more judiciously in this manner. The psychological data were analyzed using Northwestern University's Statistical Package for the Social Sciences (SPSS).

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<sup>5</sup>Seigel, pp. 135-136.

<sup>6</sup>Michigan State University, Computer Institute for Social Science Research (CISSR), Technical Report No. 44.

### Dependent Variable

The dependent variable in the study is the ownership of a second-home condominium. The entire study is designed to determine whether these people possess certain characteristics in an extreme amount. If so, those attributes will effectively differentiate second-home condominium owners from the general populace.

### Independent Variables

The first section of the questionnaire examined 14 independent variables. They can be classified into three major categories and are listed below. The object was to learn as much as possible about the second-home condominium owner and his family as possible. The specific independent demographic variables examined were:

1. Socioeconomic factors
  - a. occupation
  - b. income
  - c. education
  - d. social class
2. Life cycle factors
  - a. marital status
  - b. age of head of household
  - c. stage in the family life cycle
3. Condominium-related factors
  - a. number of vacation days per year
  - b. mode of travel to and from condominium
  - c. distance from primary home to condominium
  - d. rental status of condominium

- e. number of days condominium is occupied by owner or owner's family
- f. reason for condominium ownership
- g. geographical location of condominium.

The second section of the questionnaire contained seven attitudinal scales. These scales were divided among the respondents--the first two appeared on Form A, the next three on Form B, and the remaining two on Form C. This portion of the questionnaire was the more difficult to complete and required a greater amount of thought by the participants.

All of the scales are taken from other research projects. It was felt that to create and test new scales was beyond the scope of this study. However, slight adaptations in structure or presentation were made to facilitate understanding by the subjects or administration. These in no way affected the meaning, purpose, or validity of the scales.

Status concern scale. The status concern scale was developed by W. C. Kaufman and first appeared in the American Journal of Sociology.<sup>7</sup> It attempts to directly measure the respondent's attitude toward symbols of status and the value placed upon the attainment of higher status. Kaufman's

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<sup>7</sup>W. C. Kaufman, "Status, Authoritarianism, and Anti-Semitism," American Journal of Sociology 62 (1957): 379-382.

results suggested that attitudes are more important than actual status. The test consisted of 10 items scored on a six-point Likert scale.

Ego strength scale. The ego strength scale consists of the first 20 true/false items of a measure first tested by A. Zander and E. Thomas in 1960.<sup>8</sup> They conceptualized ego strength in two parts. First, was a respondent's ability to be self-reliant and to translate intentions into effective behavior patterns. Zander and Thomas considered this to be executive ability. Second, the researchers were concerned with the control and discharge of tension. This second part of the concept was not considered meaningful for our purposes and was eliminated from the scale (the last seven true/false items).

Achievement motivation scale. The respondents' desire to achieve, or at least acquire the symbolic accoutrements of occupational success were tested on 20 forced-choice items derived from a self-description inventory constructed by Edwin E. Ghiselli.<sup>9</sup> Each participant was asked to select one of two personality traits which he felt described him more accurately. The scale was

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<sup>8</sup>A. Zander and E. Thomas, "The Validity of a Measure of Ego Strength," unpublished paper, The University of Michigan, Institute for Social Research, 1960.

<sup>9</sup>Edwin E. Ghiselli, Explorations in Managerial Talent (Pacific Palisades, Calif.: Goodyear Publishing Company, Inc., 1971), pp. 139-141.

originally designed to measure achievement motivation with respect to occupation, but Ghiselli implies that the test probably has validity in other areas and may be applicable on a general level.<sup>10</sup> He makes no value judgment as to the desirability of possessing this attribute to any degree.

Self-assurance scale. Self-assurance refers to the extent to which an individual perceives himself to be effective in dealing with the problems which confront him. The scale was taken from the same source as the achievement motivation scale.<sup>11</sup> It consisted of 31 forced-choice items-- of which 10 corresponded exactly with items from the achievement motivation scale. It was administered in the same manner.

Local-cosmopolitan scale. Through the use of five six-point Likert items the instrument attempts to identify the respondent as local or cosmopolitan in outlook and action.

Items were cumulatively intended to identify persons whose scale of social experience is limited, whose primary interest and involvement are in local rather than in national or international affairs, who perceive themselves primarily as members of a local community rather than as members of larger social organizations, and who

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<sup>10</sup> Ibid., pp. 81-82.

<sup>11</sup> Ibid., pp. 139-141.

identify and allocate respect toward individuals with local, rather than national, reputations.<sup>12</sup>

When Dye<sup>13</sup> first used the scale in 1966, he found that localism was inversely related to status, i.e., leaders tended to be more localistic than those of lower social rank.

Rigidity scale. Rehfisch's scale for the measurement of personality rigidity consists of 39 true/false items. Although the scale measures seven qualities which characterize rigidity, only three were selected for our purposes:

1. Anxiety and constriction in social situations;
2. Need for stable, orderly, predictable environment, perseverative tendencies; and
3. Conservatism and conventionality.<sup>14</sup>

Selection of these variables resulted in the incorporation of only 27 of the items. Those items pertaining to slowness in coming to a decision, self-doubt, sensitivity to negative criticism, misanthropy and parsimony, and emphatic concern with work and study were omitted, either because they were

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<sup>12</sup> John P. Robinson, Jerrold G. Rusk, and Kendra B. Head, Measures of Political Attitudes, Center for Political Studies Institute for Social Research, University of Michigan, 1968, p. 397.

<sup>13</sup> T. R. Dye, "The Local-Cosmopolitan Dimension and the Study of Urban Policies," Social Forces 41 (1966): 239-246.

<sup>14</sup> J. M. Rehfisch, "A Scale for Personality Rigidity," Journal of Consulting Psychology 22 (1958): 10-15.



inappropriate to the objectives, or felt to be included in other variables in the questionnaire.

Faith in people scale. This scale, which attempts to measure the respondents' confidence in people to be generally trustworthy, good, honest, and generous, was first presented by Rosenberg<sup>15</sup> in 1957. The instrument consists of a Guttman-type scale of two forced-choice and three agree-disagree statements. Prior test results indicated that high scorers attach less significance to "getting ahead," believe strongly in ability as a determinant of success, and adhere to generally accepted codes of ethics.

#### Concluding Comment

While not every aspect of the design and methodology was covered in detail, it is hoped that a sufficient description of the procedures and methods have been presented to allow the reader to properly interpret any results. Certainly the research design places inherent limitations on the study--as any design necessarily must. However, it is felt that this neither negates nor colors the results which are now considered.

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<sup>15</sup> M. Rosenberg, Occupations and Values (Glencoe, Ill.: The Free Press, 1957), pp. 25-35.

## CHAPTER 4

### FINDINGS AND CONCLUSIONS

The intent of this research is to describe those comprising the second-home condominium market within the context of the demographic and social-psychological variables under investigation. A distributive approach is used as the empirical means of consumer description. The focus is on the outcome of behavior, i.e., condominium purchase and an explanation of this outcome with respect to several variables. Although the approach may be criticized as being superficial, current levels of knowledge dictate the formulation of a basic understanding before embarking on more complex marketing programs and strategies. Also, some insights are provided concerning the size and composition of the potential market.

Research findings are organized and presented in the following manner: first, an examination of the demographic data to describe condominium owners, followed by an attempt to translate them into meaningful information for use by marketing and sales personnel. These variables are subdivided into three categories:

1. Socioeconomic factors
  - a. occupation
  - b. family income
  - c. education
  - d. social class
2. Life cycle factors
  - a. marital status
  - b. age of head of household
  - c. ages of dependents
3. Condominium-related factors
  - a. number of vacation days
  - b. number of days condominium is occupied
  - c. distance of condominium from primary home
  - d. transportation method(s) used when traveling to and from condominium
  - e. whether condominium is rented when not being used by owner
  - f. reasons for purchasing condominium.

Normally, a summary of the results of the Kolmogorov-Smirnov statistical test which demonstrates that each of the three subsamples are drawn from the same population would precede the discussion of the psychological data. However, to facilitate reading, this information is presented in Appendix F.

Second, an examination is made of selected psychological variables to determine whether members of this market have common attitudes and emotional characteristics. These variables are subdivided into two categories:

1. Inner-directed factors (components of the individual's value system which are internally developed over time)
  - a. status concern
  - b. ego strength

- c. achievement motivation
  - d. self-assurance
  - e. rigidity
2. Other-directed factors (components of the individual's value system which reflect his attitudes toward other people)
- a. local-cosmopolitan outlook
  - b. faith in people.

### Socioeconomic Factors

#### Occupation

The respondents were asked to describe the occupation of the head of the household. These descriptions were classified using the occupational categories listed by the U.S. Bureau of the Census.

Table D-1 indicates that one-third of the respondents are classified as professional, technical, or kindred workers; and another 44%, as managers and officials. The top three occupational levels--professional, managerial, and sales--account for almost 90% of the sample. Incidentally, the sample includes a very large number of physicians, attorneys, and business entrepreneurs.

The bottom three categories in the U.S. Bureau of the Census classification--skilled, semi-skilled, and unskilled workers--are represented by slightly less than 3% of the respondents. Although these are few in number, observation of the completed questionnaires suggests that most of these respondents shared condominium costs and

expenses with friends or relatives. This is perhaps indicative of a trend which may be of some importance to builders and developers for reaching untried markets.

Seven per cent of the respondents are retired. However, most chose to specify their former occupations, which were listed as either professional or managerial.

The implications of such a skewed distribution could be far-reaching. Other research has shown the occupation of the head of the household to be an important determinant of consumption behavior. Also, people in the more prestigious occupations, such as law and medicine, tend to be early adopters and opinion leaders--the influentials of the community. It may be advantageous to construct communication nets utilizing these people as persuasive information disseminators.

### Income

The commonly held belief that a significant proportion of condominium owners are in the highest income categories was verified. Table D-2 illustrates that 91% of the respondents have incomes of \$20,000 or more per year. Almost one-half, 47%, have family incomes in excess of \$50,000. Future studies might use a more detailed segmentation of the upper income categories. Such refined data might help in arriving at a pricing policy.

Respondents with family incomes of less than \$15,000 constituted slightly more than 3% of the sample. Interestingly, of these, almost 1% of the sample have reported incomes of less than \$6,000 per year.

Income is the most important of the demographics. It alone can delineate markets and serve as a proxy for other demographic information which may not be available. It provides a measure of basic social and moral values, knowledge of which may prove useful in the design of a marketing communications mix.

Based on the income stratification, the majority of respondents in the sample probably derive large portions of their earnings not only from wages and salaries, but also from dividends, interest, and capital gains. Key values for these condominium owners are likely to include a sense of community responsibility, pursuit of gracious living, and a need for social participation.

### Education

The data presented in Table D-3 show the relationship between the education level attained by the head of the household and the purchase of a second-home condominium. These data show that the respondents do not constitute a representative cross section of the American population in terms of this independent variable. (U.S. Bureau of

the Census data set the median education level in the United States at slightly below the twelfth grade.)

This high level of education is to be expected because of the data previously cited concerning occupation and income. The large number of respondents whose occupation can be categorized as professional or managerial is reflected by the fact that over 50% of the respondents have pursued graduate and professional studies. Nearly 80% of the respondents possess a four-year college degree. If those attending but not obtaining a degree are included, only 7% of the entire sample is excluded, or conversely, 93% of the sample have attended college.

The repercussions of such a distribution are important and extensive. Presumably, education not only makes buyers more discriminating, but also tends to diminish the effects of certain cultural factors, e.g., ethnic background, religion, etc. This may indirectly affect market mix components such as media selection. For instance, there is research evidence that better educated markets tend to rely more on print media than broadcast media. These markets tend to respond better to two-way rather than one-way communication. This may indicate that personal selling will be more effective than the use of mass media.

Better educated persons tend to marry later and have smaller families; the length of the education process exerts a strong downward pressure on the birth rate. This tendency toward smaller family size suggests the possibility of a larger percentage of the family income being available for discretionary use. It may also suggest a high degree of mobility on the part of those in the second-home condominium market.

### Social Class

It was hypothesized that second-home condominium buyers would rank exceptionally high in social class. Utilizing a technique developed by the U.S. Bureau of the Census, the respondents were classified on this variable.<sup>1</sup> The approach divides respondents into 10 categories, giving equal weight in the classification to occupation, family income level, and education. After classifying a subsample of 55 respondents, it became evident that such a procedure would not yield significant conclusions. The results were predictable in light of the previously mentioned levels of the socioeconomic indicators. All but one of those classified was categorized in the first decile (90 and above), while the one exception was ranked in the second decile.

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<sup>1</sup>U.S. Bureau of the Census, Methodology and Scores of Socioeconomic Status, 1960, pp. 1-13.



A cursory perusal of the socioeconomic data indicates that there is considerable support for the initial supposition that the sample would be composed of a very high social class grouping.

### Summary

Second-home condominium owners are significantly different from the population at large in terms of socioeconomic characteristics. The research shows that the study sample tends to be in the highest social class as a result of high occupation, high income, and high educational levels. These research findings are summarized in Table 4-1.

TABLE 4-1

## SOCIOECONOMIC PROFILE

Characteristic	Second-Home Condominium Buyer	Comments
Occupation	Professionals, technical, managers and officials	Attorneys, physicians, and entrepreneurs
Income	Top 5%	77.0% > \$30,000 91.4% > \$20,000
Education	College graduates	50.8% = graduate work 91.4% ≥ four year degree
Social class	Highest classification	Score of 90 or above using U.S. Bureau of the Census classifi- cation method

## Life Cycle Factors

### Marital Status

There appears to be no significant differences between the marital status of the respondents and that of the general population. The information in Table D-4 reveals that the majority (92%) of condominium owners are married. While the marital status breakdown is similar to the general population, it may have significance given the nature of the product with which we are concerned inasmuch as the husband/wife dyad, rather than a single person, typifies the decision-making unit.

Although one member of the nuclear family may be expected to be dominant, it seems reasonable that in purchases of such magnitude other family members are influential. Social roles exhibited by the husband/wife team usually take on several aspects of specialization. The man usually engages in task-oriented behavior; the woman in social-emotional behavior.<sup>2</sup> The marketing implications of this specialization for condominium developers and salesmen could suggest that the male will be more concerned with the functional product attributes such as location and operating costs and would be the dominant family member in

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<sup>2</sup>William Kenkel. "Family Interaction in Decision-Making on Spending." In Household Decision-Making, ed. Nelson N. Foote (New York: New York University Press, 1961), pp. 140-164.

the purchase decision and the closing of the contract, since these are task-oriented behaviors. The female, however, might be more interested in the aesthetic attributes of condominiums and advise purchase since these are expressive and social-emotional behaviors. While this may seem rather chauvinistic, it is an accurate portrayal of certain socially assigned roles which marketers can exploit effectively.

#### Age of the Head of Household

The age distribution for the head of household is shown in Table D-5. Over 75% of the sample respondents are between 40-59 years old, or what may be categorized as middle and late-middle age. Although many research studies have been directed toward identifying the needs of the child, youth and teenager, young married, and senior citizen subcultures, there is a dearth of studies on the middle and late-middle age group. However, the inordinately high income levels for condominium owners in itself dictates further investigation of this age group.

There are two other approaches to this problem. First, age is obviously related to stage in the family life cycle which has been studied and which is explored next. Second, the use of the distributive approach allows the approximation of the potential total market size. In

other words, if purchasers of condominiums have a strong tendency to be in a certain age group, then the number of people in the group may be a sufficient approximation of market size. All other things being equal, promotional channels and media having a high percentage of their circulation in this age group may be more appropriate than others.

More importantly, the concern should be with the changes in the size of this group over time. U.S. Census Bureau data indicate that this group will increase in size over the next ten years, but not so rapidly as the younger and older categories.

### Family Life Cycle

A nine-stage family life cycle was developed for the research. It is presented in Table D-7, along with the percentage and the number of respondents found in each category.

A very large majority of the respondents are grouped into two broad classifications. The first of these is what has generally been termed "empty nesters." In this category, the adults are still in excellent physical condition, but have completed their child-rearing activities and are economically able to participate in a discretionary spending pattern not available to them during other stages

of the family life cycle. It is felt that we must include in the empty nester category not only the couples without children who comprise 32% of the sample, but also the single adults and families whose youngest child is over twenty-five years of age (5% and 2%, respectively). This amalgamation of seemingly different categories is done in order to join those with a lesser degree of family responsibilities and the high income patterns found throughout the respondent group. Therefore, it may be said that the empty nesters make up 39% of the sample.

While the focus of the other categories in the family life cycle is on household life, it is expected that the emphasis of empty nesters is on leisure. They are likely to place emphasis on the benefits to be derived from contemporary rather than future time. It may not be necessary for them to acquire the accoutrements of family-centered activities but they may do so as a form of conspicuous consumption or status spending. Their activities will tend to be pleasure-, recreation-, and travel-centered, with a higher proportion of income being spent on self-maintenance, clothes, and food.

The second broad classification which comprises a significant portion of the sample is the "married with older children." Families in which the oldest child is between 13 and 25 years of age account for 48.5% of the

respondents. Those with teenagers--between 13 and 19 years of age--make up 61% of this group, while the other 39% is attributed to those whose oldest child is between 20 and 25 years of age.

If the "empty nesters" place strong emphasis on recreation and leisure activities, the "married with older children" stress preparation for and transition to these same activities. The adults in this stage of the family life cycle have reached a pinnacle in their lives. They probably have progressed to the high point of their careers, achieving maximum use of their combined mental and physical capacities. They have achieved community recognition and, as a result, social status within their chosen reference groups. Increasing incomes, the result of career progression, is likely to be coupled with a lessening of financial responsibilities as older children begin to make vocational decisions and assume independence from the nuclear family.

### Summary

The research identifies certain life cycle categories as being inclusive of a large portion of the sample of condominium owners. Typically, they are married and between 40 and 59 years old. Additionally, they are free of the financial and physical constraints which children place on families, or are at a stage where they have

begun to prepare for this freedom. The research findings are summarized in Table 4-2.

TABLE 4-2  
FAMILY LIFE CYCLE PROFILE

Characteristic	Second-Home Condominium Buyer	Comments
Marital status	Married	Possible importance of husband/wife social roles in decision-making process
Age	40-59 years old	75.6% middle or late-middle aged
Stage in family life cycle	No children or teenage children	"Empty nesters" (39%) and married with older children (48.5%)

### Condominium-Related Factors

#### Number of Vacation Days

Almost 90% of the sample have three weeks or more of total vacation time available, the median being four weeks. These data confirm the potential for leisure that was previously discussed. The divisions of the group by number of vacation days per year is shown in Table D-8. It may be interesting to note that while nearly 17% of the sample have in excess of eight weeks vacation, only

slightly more than 7% of the sample classify themselves as "retired."

The skewed distribution of vacation days among the respondents seems indicative of the growth in leisure time that some studies have pointed to as a significant component of life style.<sup>3</sup> As a symbol of success, accompanied by a mobility and independence that is highly visible to other consumers (the result of high incomes), the leisure time of the sample respondents seems to place them in a position to influence the purchase decisions of those who desire to emulate the life style of this perceptibly successful group.

The fact that such a large majority of the respondent group has the ability to devote three weeks or more to vacation activities may place them at the forefront of the trend toward larger "lumps of leisure," in contrast to small bits of leisure added to each day's work-oriented activities. The availability of longer vacation periods would seem to make it unlikely that all of this time would be utilized at once and unnecessary for the respondents to do so to achieve the usual goals of rest and recreation. Admittedly, this last conclusion involves some supposition, but would seem

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<sup>3</sup>For two excellent examples the reader is referred to "Economic Projections to 1980," Report no. 70-N-1, Center for Economic Projections, National Planning Association, Bureau of Labor Statistics, March 1970; and Max Kaplan, Leisure in America a Social Inquiry (New York: John Wiley and Sons, Inc., 1960).



reasonable given knowledge of the other demographic variables.

Distance of Condominium from Primary  
Home; Principal Means of Transportation  
To and From Condominium

The distance of the condominium from the respondent's primary home and the means of travel to reach the condominium are directly related. Those people living closer to their condominiums would probably utilize the automobile as the principal means of transportation; those living at greater distances would be expected to employ air or other transportation. Although they constitute no precise measure of the correlation between these variables, obvious interrelationships can be seen between the distances traveled and the transportation method (see Table D-9).

The American Automobile Association suggests a maximum driving time of six hours per day and estimates that automobile travelers observing speed limits will average 50 miles per hour unless unusual road conditions are encountered. Simple calculation indicates that 300 miles is about an average one day drive. Examination of Table D-9 shows that nearly 51% of the sample lives within one day's driving time of their condominium. This alone would seem to suggest that special attention ought to be

given to developing local markets and/or to large concentrations of potential customers within the 300 mile radius.

Owners living at an intermediate distance from their second-home condominium, i.e., between 301 and 1,000 miles, constitute slightly more than 20% of the sample. These respondents are considered to be within two or three days driving time, or perhaps, as they approach the 1,000 mile distance, likely consumers of commercial travel.

Finally, the respondents living over 1,000 miles from their condominiums most probably select airplanes as the principal transportation mode. (No distinction was made between commercial and private aircraft.) This group makes up nearly 29% of the respondents. It would appear that for this portion of the sample accessibility was not a key factor in the purchase decision.<sup>4</sup>

The relationship between distance from the primary home and transportation mode is readily observable by comparing Tables D-9 and D-10. Just as the largest portion of the respondents are living within 300 miles of their condominium, the percentage utilizing the automobile as the principal means of transportation is also the largest

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<sup>4</sup>Although no tabulation was made, observation of the returned questionnaires seems to indicate that investment rather than recreation is the most important justification for condominium ownership for respondents in this category.

for any travel means, comprising approximately 61% of our sample. Reasonably, it might be expected that this percentage includes not only those within 300 miles, but also those at the lower end of the 301-1,000 mile range.

Those using the airplane as the principal transportation mode parallel very closely the percentage of respondents living in excess of 1,000 miles from their condominiums. This group includes over 26% of the respondents.

The remainder of the responses are composed of persons using the automobile in combination with some other transportation method. The most significant of these is the 12% of the sample combining the use of automobile and airplane. It also may be interesting to note that other transportation modes (motorcoach, train, etc.) play a negligible role.

Number of Days Condominium Is Occupied  
by Owner or Owner's Family

Most second-home condominiums are occupied by the owner and/or the family for periods totaling 30 days or less. Approximately 65% of those responding indicate that they use their condominium for one month or less annually. The median number of days the condominiums are used by the owners is between 15 and 21 days. The reader can see from Table D-11 that this large percentage of respondents is

dispersed almost evenly over the first four response categories while the remaining 35% is apportioned evenly over the last five categories.

The median number of days occupied is especially meaningful when we remember that the median number of vacation days available to this same market segment is four weeks. It seems apparent that a large percentage of these second-home condominium owners is using their property for less time than they could. There seems to be several possible interrelated explanations for this situation.

First, given the social and economic demographics of the sample, they may elect to spend a part of their available leisure time in ways not making use of the condominium property or its attendant activities. Second, where the primary purpose of purchase was investment, owners may place greater value on the income to be derived from the property than on its actual use. A third, related reason, for limited use may be that many condominium sales contracts include a rental pool clause, restricting the number of days and the time of year that the owner may occupy his dwelling.

Obviously then, it would profit builders and developers to consider the number of days the condominium will be occupied by the owner and the principal reason for purchase when designing sales programs and marketing

strategies. Where the purchase motivation is recreation, it is apparent that the concern should be with the attitudes of the purchaser and his family. However, if the primary motivation is investment, sellers might necessarily be concerned not only with the attitudes of the purchaser, but also with the purchasers' perceptions of potential renters.

#### Condominium Rental

An overwhelming majority of the respondents answered positively when asked if their second-home condominium was rented in the owner's absence. Approximately 78% offer their property for rent, as opposed to only 22% who do not. These data are exhibited in Table D-12.

This finding is not surprising. Looking ahead to the next subject, it is observed that more than one-half of the sample respondents purchased their condominiums for investment, business, appreciation, or other economic reasons. It can also be deduced logically that many owners who purchased condominiums primarily for recreation had secondary motives which were financial in nature.

There are at least two possible non-financial reasons for the imbalance which were not investigated. First, a rental pool arrangement may have been a condition of sale imposed by the seller. Second, the owner may wish

to have his condominium occupied as a means of maintaining security of the property.

#### Principal Reasons for Condominium Ownership

The data in Table D-13 suggest two predominant reasons for condominium ownership. Some financial aspect is the reason given by over one-half of the respondents, approximately 56% indicating that investment, appreciation, or business purposes played the most important role in the purchase decision. Considering the social position and the economic status of the sample, this result is not unexpected. The higher social classes, with the occupational, educational, and income characteristics displayed by the respondents, are likely to be those most aware of the legal ramifications and financial advantages of condominium ownership.

The second principal reason for purchasing a condominium was recreation, accounting for nearly 38% of the responses. If retirement can be assumed to be a recreational motive, then an additional 4% of the respondents are included. The entire sample (like most of the population) is typically urban or metropolitan. Second-home condominiums placing an emphasis on recreational activities are usually located in rustic settings removed from the congestion, pollution, and other municipal problems.

Additionally, it seems apparent that trends toward shorter work weeks and earlier retirement as well as better and more reliable means of travel are influencing the decision to purchase a second-home condominium as a recreational site.

### Summary

This section of the research centered on factors directly relating to the condominium itself rather than owner demographics or attitudes. Table 4-3 shows that the respondents typically have four weeks' vacation but occupy their condominiums for less time. Most live within 300 miles of their property and are able to reach it by driving one day or less. Those living at greater distances are most likely to select aircraft as the principal transportation mode. An overwhelming majority of the respondents rents their condominiums when they are absent, perhaps emphasizing the financial aspects of ownership. Recreation was also an important reason given for condominium purchase.

### Psychological Variables

The psychological or emotional-attitudinal variables chosen for study seek to describe, in part, psychological profiles of consumers in an attempt to delineate the personality characteristics which may determine their response to market offerings. The first five variables may be

TABLE 4-3

## SUMMARY OF CONDOMINIUM-RELATED FACTORS

Factor	Second-Home Condominium Buyer	Comments
Average number of vacation days	Four weeks is median	90% ≥ three weeks. Life style indicates importance of leisure time activities
Distance of condominium from primary home	201-300 miles is median	51% within one day's driving distance
Principal means of transportation to condominium	Automobile	Used for closer distances (300 miles or less)
	Airplane	Used for greater distances (more than 1,000 miles)
Average number of days condominium is occupied by owner or owner's family	15-21 days is median	Usually much less than total number of vacation days available
Is condominium rented in owner's absence?	Yes	78% offered for rent
Principal reason for condominium ownership	Economic	Investment, appreciation, business
	Recreation	Probably results from sociological patterns



characterized as inner-directed, i.e., determined chiefly by the individual relying on his self-generated value system. The remaining two variables are other-directed in nature, i.e., behavior guidelines as determined by other people. The table presented for each scale in this section is a summary and interpretation of the corresponding table in Appendix E.

#### Status Concern Scale

It should be remembered from the outset that the concern is not with status per se. Status, as a demographic factor, has already been discussed in terms of social class components and life cycle factors. Rather, interest is in the respondents' attitude toward status, the value placed on status symbols, and the attainment of higher status. A summarization of the findings is presented in Table 4-4.

The concern with status appears to be much lower than was expected. In fact, the distribution of the data approaches a normal curve. The median for the group was barely at the 60th gradation, and while above average, this does not seem to indicate that this variable may be used as an effective means of market segmentation. However, approximately 75% of the respondents are at the 50th gradation or above. Perhaps a replication of the study would further clarify the meaning of the data.

TABLE 4-4

## STATUS CONCERN SCALE

Gradations	Raw Score	n	Per Cent	Cumulative Per Cent
90	65-70	3	1.8	1.8
80	58-64	18	11.0	12.8
70	51-57	31	19.0	31.8
60	44-50	33	20.2	52.0
50	37-43	37	22.7	74.7
40	30-36	29	17.8	92.5
30	23-29	10	6.1	98.6
20	16-22	2	1.2	99.8
10	10-15	--	--	99.8
Total		163	99.8	99.8

Range, 20-70; Mean, 44.577; Median, 44.800; Standard Deviation, 10.931.

There are several possible explanations for these findings. Having attained a degree of status commensurate with his occupation, income, and education, the condominium owner may now be less concerned with overt activities or actions that signify social prestige. In other words, having "arrived," he is less concerned with "getting there." Another possibility may be that lack of status concern is, itself, a status symbol. Finally, the respondents' lack of concern may stem from internally developed value systems placing emphasis on intrinsic satisfactions.

### Ego Strength Scale

The level of ego strength indicates the respondent's ability to direct and control his own activities without external influence or pressure. The extent of this self-reliance and independence from others for the setting of behavioral norms suggests the manner in which the respondent will react to the various types of marketing and promotional activities.

The respondents exhibit a high degree of ego strength as evidenced by Table 4-5. Ninety per cent of the sample is included above the 50th gradation and more than three-fourths of the respondent group ranked higher than the 60th gradation. The median of the group being studied exceeds the 70th gradation. Clearly, these people reflect significantly more ego strength than the general population, and this variable might be effectively utilized to further segment and describe the second-home condominium market.

Additionally, the distribution of the data indicates that logical rather than psychological methods might be more appropriately used in the design of the communications mix. For example, pointing out the financial advantages of a second-home condominium probably would sell more units than emphasizing the glamour aspects of ownership. This conclusion is substantiated by the demographic data already cited.

TABLE 4-5

## EGO STRENGTH SCALE

Gradations	Raw Score	n	Per Cent	Cumulative Per Cent
90	18-20	15	10.0	10.0
80	16-17	36	24.0	34.0
70	14-15	40	26.7	60.7
60	12-13	23	15.3	76.0
50	10-11	21	14.0	90.0
40	8-9	10	6.7	96.7
30	6-7	2	1.3	98.0
20	4-5	3	2.0	100.0
10	1-3	--	--	<u>100.0</u>
Total		150	100.0	100.0

Range, 5-20; Mean, 13.820; Median, 14.342; Standard Deviation, 3.192.

#### Achievement Motivation Scale

The results of the analysis were far different than what had been anticipated. It was expected that the findings would indicate that second-home condominium owners were highly motivated toward achievement and goal oriented. These conclusions were not justified.

The data show that 62% of the respondents fall below the 50th percentile of the norms group. The median score is 39.5, placing one-half the group below the 30th percentile. The dispersion of observations was platykurtic

in nature, with the exception of the 40-49 percentile range which, with only three observations, seemingly produced a bimodal distribution. However, the small number of observations in this range is felt to be the result of category size rather than the result of any significance that can be attached to the distribution. As can be seen from Table 4-6, only one raw score grade placed respondents in this percentile range. Attempts were made to group the data in several ways, but relevant conclusions could not be drawn from any combination.

TABLE 4-6

## ACHIEVEMENT MOTIVATION SCALE

Percentile Rank	Raw Score	n	Per Cent	Cumulative Per Cent
90 or more	53-58	9	6.4	6.4
80	50-52	8	5.7	12.1
70	48-49	7	5.0	17.1
60	45-47	15	10.7	27.8
50	43-44	15	10.7	38.5
40	42	3	2.1	40.6
30	39-41	16	11.4	52.0
20	36-38	24	17.1	69.1
10	30-35	23	16.4	85.5
Less than 10	16-29	<u>20</u>	<u>14.3</u>	<u>99.8</u>
Total		140	99.8	99.8

Range, 16-57; Mean, 39.179; Median, 39.500; Standard Deviation, 8.732.

The evidence suggests that second-home condominium owners do not seek the responsibility and prestige associated with their occupational and social positions. However, because of the inconsistencies with data previously reported, it is recommended that further confirmation is necessary before making use of the data in marketing programs.

#### Self-Assurance Scale

Just as with achievement motivation, the results of the self-assurance scale were difficult to reconcile with the socioeconomic, life cycle, and life style data previously cited. There is a correlation between achievement motivation and self-assurance suggesting that the conclusions of both measures must either be accepted or rejected. Since both involve an untested application of a single evaluation instrument, caution concerning test validity seems warranted. It is also significant that approximately 27% of this subsample, who responded to the demographic portion of the questionnaire and the local-cosmopolitan scale failed to respond to the scale which estimates achievement motivation and self-assurance.

Table 4-7 describes the distribution of the observations. The distribution was negatively skewed placing the median score near the 30th percentile. Fully 68% of the respondents were below the 50th percentile.

The distribution of the respondents seems almost random, and no significant conclusions can be reached with regard to this variable. Unless other instruments contradict these results, the usefulness of this dimension as a marketing tool is limited.

TABLE 4-7

## SELF-ASSURANCE SCALE

Percentile Range	Raw Score	n	Per Cent	Cumulative Per Cent
90 or more	35-39	5	3.9	3.9
80	33-34	11	8.7	12.6
70	32	5	3.9	16.5
60	31	11	8.7	25.2
50	30	15	11.8	37.0
40	29	8	6.3	43.3
30	27-28	19	14.9	58.2
20	25-26	17	13.4	71.6
10	23-24	10	7.9	79.5
Less than 10	15-22	<u>26</u>	<u>20.5</u>	<u>100.0</u>
Total		127	100.0	100.0

Range, 15-38; Mean, 27.055; Median, 27.556; Standard Deviation, 4.748.

### Rigidity Scale

The rigidity scale substantiated the belief that the sample would tend to be more at ease in social situations, more tolerant of change in the environment, and less conservative and conventional than a normally distributed population. It can be seen from Table 4-8 that approximately 83% of the sample is at or below the 50th gradation. (Lower scores indicate less rigidity.) The median for this group is located at the 40th gradation, this category alone accounting for nearly 35% of the respondents.

TABLE 4-8

## RIGIDITY SCALE

Gradations	Raw Score	n	Per Cent	Cumulative Per Cent
90	25-27	1	0.6	0.6
80	22-24	4	2.6	3.2
70	19-21	5	3.2	6.4
60	16-18	17	11.0	17.4
50	13-15	42	27.1	44.5
40	10-12	54	34.8	79.3
30	7-9	24	15.5	94.8
20	4-6	6	3.9	98.7
10	1-3	<u>2</u>	<u>1.3</u>	<u>100.0</u>
Total		155	100.0	100.0

Range, 1-25; Mean, 12.361; Median, 12.075; Standard Deviation, 3.992.



Both as an informational item and as a means of further clarifying the results for effective use in marketing programs, examination of some related data may be beneficial. The validation of the original Rehfisch scale revealed that the following adjectives differentiate significantly between high and low scorers.

High scorers: "anxious, conscientious, conservative, deliberate, dependent, gentle, inhibited, mild, moderate, modest, painstaking, peaceable, quiet, reserved, retiring, serious, shy, sincere, submissive, thorough, timid, withdrawn, worrying."<sup>5</sup>

Low scorers: "active, adaptable, aggressive, argumentative, assertive, clear-thinking, confident, curious, demanding, energetic, independent, irritable, organized, outgoing, outspoken, painful, poised, quick, resourceful, self-centered, self-confident, self-seeking, sociable, spontaneous, talkative, versatile."<sup>6</sup>

The distribution of scores may be indicative of the type of environmental design necessary in the building, development, and sale of second-home condominiums. For instance, it could be that promotional emphasis on regularly scheduled and structured activities is inconsistent with the personality profile and self-image of potential buyers.

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<sup>5</sup>John P. Robinson and Phillip R. Shaver, Measures of Social Psychological Attitudes, rev. ed. (Ann Arbor, Mich.: Survey Research Center, Institute for Social Research, 1973), p. 389.

<sup>6</sup>Ibid.

### Local-Cosmopolitan Scale

The scale attempts to identify the respondents as predominantly concerned with local community affairs and social organizations, or as principally interested in extra-community affairs and larger social organizations. In this respect the scale was not sufficiently discriminating.

It had been expected that the distribution would be heavily skewed toward the cosmopolitan end of the scale. This was anticipated because of the occupation and education levels attained by the respondents. However, the dispersion of the data approaches normality, all of the measures of central tendency being at or near the 50th gradation (see Table 4-9).

It appears as if second-home condominium owners do not constitute a cosmopolitan (or local) elite. Even this negative conclusion may be useful for condominium organizational personnel when making determinations concerning market delineation and purchase motivations.

TABLE 4-9

## LOCAL-COSMOPOLITAN SCALE

Gradation	Raw Score	n	Per Cent	Cumulative Per Cent
90	29-30	--	--	--
80	26-28	10	6.3	6.3
70	23-25	16	10.1	16.4
60	20-22	25	15.7	32.1
50	17-19	40	25.2	57.3
40	14-16	38	23.9	81.2
30	11-13	22	13.8	95.0
20	8-10	5	3.1	98.1
10	5-7	<u>3</u>	<u>1.9</u>	<u>100.0</u>
Total		159	100.0	100.0

Range, 5-28; Mean, 17.566; Median, 17.588; Standard Deviation, 4.722.

### Faith in People Scale

The respondents exhibit a high degree of faith in people, or alternately, a lack of misanthropy. They display a confidence in man's general good nature and in ability and knowledge as prime determinants of success (as opposed to categoric contacts),<sup>7</sup> as well as a reluctance to use dishonest means to advance themselves socially or

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<sup>7</sup>Categoric contact--acting toward someone on the basis of the type of people he represents rather than on the basis of his personal make-up.

occupationally. These findings seem consistent with the observation of a large number of respondents in people-oriented occupations. The tendency of the respondents to be in such occupations as law, medicine, or sales appears to have presaged this conclusion.

Table 4-10 shows a direct comparison between the results of the scale as administered to our sample and the outcome of the original test developed by Rosenberg. It can easily be recognized that the tendency to have greater faith in people is much higher among second-home condominium owners.

TABLE 4-10  
FAITH IN PEOPLE SCALE

Score	n	Per Cent	Per Cent (Rosenberg)	Cumulative Per Cent	Cumulative Per Cent (Rosenberg)
1	40	29.6	15	29.6	15
2	46	34.1	28	63.7	43
3	27	20.0	24	83.7	67
4	18	13.3	17	97.0	84
5	4	3.0	11	100.0	95
6	--	--	5	100.0	100
Total	135	100.0	100	100.0	100

Range, 1-5; Mean, 2.259; Median, 2.098; Standard Deviation, 1.113.

Approximately 64% of the respondents rank in the two highest categories as opposed to 43% of the Rosenberg subjects. It is also interesting to note that there are no respondents in the bottom category (least faith) and only 3% in the two lowest categories, as contrasted with 5% and 16%, respectively, for Rosenberg's scale.

This dimension of the personality profile of potential condominium purchasers can obviously be used to enhance the communication process. By selecting media themes which make the most of consumer attitudes and pre-dispositions, marketing policies and programs can provoke a more favorable customer response.

### Summary

The research identifies certain psychological factors as relevant in the identification and profiling of second-home condominium owners. The status concern, ego strength, rigidity, and faith in people scales reveal significant differences between second-home condominium owners and the general population. The local-cosmopolitan scale is shown to be of minimum value. The scales for achievement motivation and self-assurance are neither conclusive nor significant. The data are summarized in Table 4-11.

TABLE 4-11  
SUMMARY OF PSYCHOLOGICAL FACTORS

Factor	Second-Home Condominium Owner	Comments
Status concern	Low status concern	Possibly the results of having already achieved success and status. Recommend replication for confirmation.
Ego strength	High ego strength	Indicative of the inner- directed person. Self-reliant, independent. Suggests use of logical marketing techniques.
Achievement motivation	Not significant	Outcomes are inconsistent with other results and known data.
Self- assurance	Not significant	Possible faulty instrument. No relevant conclusions.
Rigidity	Low rigidity pattern	At ease in social situations. Tolerant of change. Outgoing, self-confident.
Local- cosmopolitan	Normally distributed	Only of peripheral use in the design of marketing programs.
Faith in people	High faith in people	Possible relationship between degree of faith and occupation.

## CHAPTER 5

### SUMMARY

The purpose of this chapter is to reaffirm some of the major findings of the research and to suggest possible directions and emphases for investigators desiring to replicate, expand, or further refine the results. The first section reviews the objectives of the study which laid the foundation for this research effort. The second section reviews the conclusions which were obtained from the data analysis. Next, what implications these results might have for those directly concerned with condominium development are considered, and the last section notes several areas and directions for future research.

#### Objectives of the Study

The basic objective of the study was to determine the applicability of certain demographic and psychological factors to the marketing of second-home condominiums. By ascertaining some of the parameters of the condominium buyer profile, it was hoped to assist builders, developers, architects, promotional strategists, and others interested in the evolution of a successful marketing program to better

understand the exigencies of this consumer group. Prior to undertaking the research, discussions with entrepreneurs actively engaged in condominium development made it apparent that the income variable is often the sole criterion by which prospective purchasers are determined to be part of, or excluded from, the target market. While this may be an oversimplification, it is felt that expanding the basis of market segmentation is both worthwhile and necessary. Additionally, it was perceived that when a battery of demographics are employed, they seem to display many of the limitations already discussed in Chapter 2. Apparently, life cycle and social class descriptions are insufficient when utilized without consideration of the buyers' emotional-attitudinal make-up. Consequently, in order to augment the information obtained from the socioeconomic characteristics, the respondents were given tests to determine their ego strength, concern for status, achievement motivation, self-assurance, local-cosmopolitan outlook, and faith in people. As far as could be determined, there have been no previous attempts to delineate and segment the condominium market on this basis.

After a preparatory study was sent to specialists in all facets of condominium development to determine the most fruitful avenues of exploration, a mail questionnaire



was sent to a sample drawn from a list of clients supplied by a condominium management organization.

### Summary of Findings

The study was able to describe the second-home condominium owner using several different dimensions. These were: (1) socioeconomic and social class characteristics; (2) life cycle factors; (3) factors which delineate certain life style features as they relate to condominium use; (4) internally developed components of the individual's value system which define certain attitudes and beliefs, and (5) components of the individual's value system which partially reflect his attitudes toward other people.

Second-home condominium owners seem to be concentrated in people-oriented professions and in entrepreneurial or managerial occupations. The sample displays a preponderance of physicians, attorneys, salespersons, and owners/managers of various types of organizations. The proportion of the sample classified as skilled, semiskilled, or unskilled workers is insignificant. The emphasis which builders and developers have placed on income as a determinant of market membership appears justified. More than three-fourths of the respondents have incomes in excess of \$30,000 per year, placing them in the top 5% of income earners in the United States. The educational attainment

of the respondents was to be expected given the occupation and income levels discerned by the study. Since these three variables are closely and directly related, it was not surprising to ascertain that over one-half of the respondents have undertaken graduate programs, while 80% possess a minimum of a four-year bachelor's degree. Only 7% of the sample never attended college. Because of the high levels exhibited in these three variables--occupation, income, and education--the results of social class determinations, utilizing the Bureau of the Census method, was reasonably predictable. Since the method places equal emphasis on these variables, the distribution of the respondents is largely concentrated in the highest decile.

The percentage of second-home condominium owners who are married approximates the percentage of the general population in corresponding age categories who are married. This considerable majority of 92% suggests the possible importance of husband/wife social roles in the decision-making process. The respondents are concentrated in age groups between 40 and 59 years old and consequently may be described as middle or late-middle aged. Over 75% of those responding could be classified in these categories. The tendency of personnel engaged in marketing second-home condominiums to classify "empty nesters" as a major target is supported. This group, which includes all respondents

without responsibilities to minor dependents, constitutes 39% of the respondents. Additionally, a second major market was delineated. This market consists of families, with older children, who will enter the empty nest stage of the family life cycle in a few years. This group comprises more than 48% of the sample.

Four weeks is the median vacation period available to the second-home condominium owner. However, the respondents also indicated that they usually occupied their condominiums for only two or three weeks per year. This seems to emphasize not only the economic role played by the property, but also gives some indication of the respondents' life styles and the importance of the condominium in their leisure time activities. When the owner or the owner's family utilizes the condominium they most likely travel by automobile, as over one-half of the properties are within one day's driving distance from the primary home. The median distance to the condominium is 300 miles or less. Airplanes represent the second most important transportation mode, probably being used to travel greater distances. The economic motive for condominium ownership is apparent as 78% of the respondents offer their condominiums for rent. This circumstance is reflected in the fact that 56% specified that they purchased their condominiums for investment, appreciation, or business reasons. Another large group

(38%) cited recreation as the principal reason for ownership. In these cases, sociological patterns appear to be the prime determinants of the purchase decision.

The second-home condominium owner exhibits a relatively low concern for status. This outcome seems uncharacteristic in light of the high social class positions exhibited by the respondents. One possible explanation is that the respondents, already having achieved social status through occupation, income, and education, no longer possess the need to be concerned. The respondents generally possess a high degree of ego strength indicating self-reliance, independence, and high self-esteem. Thus, they are able to control their own activities without external influence or pressure and to have sufficient confidence in their own judgments. This indicates that logical rather than psychological selling methods may be more appropriate.

Two scales which were administered to the respondents did not yield significant conclusions. These were the self-assurance and achievement motivation scales. Possibly, the measurement instrument was faulty, but in any case no relevant conclusions could be reached. Replication of the tests is suggested.

The respondents generally exhibit a low rigidity pattern. The analysis of the rigidity scales suggests that second-home condominium owners are at ease in social

situations, tolerant of change, and extroverted. The results may suggest the necessity of environmental design flexibility.

The attempt to describe second-home condominium owners as local or cosmopolitan in their outlook met with limited success. Respondents were distributed somewhat normally throughout the scale, making this variable only of peripheral use in the design of marketing programs. The respondents exhibit a high degree of faith in people. They display confidence in ability and knowledge as prime determinants of success and in man's general good nature. Given the occupations found in the sample, this may not be surprising. As discussed previously, many are in people-oriented occupations.

#### Implications of the Research

In addition to providing a broader profile of the second-home condominium buyer and suggesting, as a result of that composite, different dimensions which might be used in segmenting the market, the outcome of the research implies that certain related concepts may have an impact on the marketing effort. If it is assumed that proper reasoning has been used, then the marketers' attention may be directed to problems, which assuredly, will be encountered. Thus, they may prepare for these problems and turn them to their best advantage.

A product's stage in its life cycle will often determine what types of consumers will perceive and recognize a problem.<sup>1</sup> Innumerable studies have shown that certain types of consumers are likely to recognize a problem, which results in the purchase of a new product, sooner than others. These consumers are likely to possess the following characteristics:

1. More education
2. Higher incomes
3. Higher standards of living
4. More knowledge
5. A positive attitude toward change
6. Stronger achievement motivation
7. Stronger aspirations for children
8. More cosmopolitan interests
9. Greater exposure to mass media
10. Greater tendency to deviate from group norms
11. Greater tendency to participate in groups
12. Greater exposure to interpersonal communication

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<sup>1</sup>"Problem recognition results when a consumer recognizes a difference of sufficient magnitude between what is perceived as the desired state of affairs and what is perceived as the actual state of affairs." Quoted from James F. Engle, David Kollat, and Roger D. Blackwell, Consumer Behavior (New York: Holt, Rinehart and Winston, 1968), pp. 360-361.

13. Greater tendency to be opinion leaders
14. Attitudes, needs, and behavior patterns that are compatible with the innovation.<sup>2</sup>

Because these characteristics closely parallel those of the sample respondents, it seems reasonable to conclude that second-home condominiums are in the late market development or early market growth stage of the product life cycle. Therefore, it is expected that this product, like any other, will progress naturally through the cycle with all of the attendant implications for changes in the product-market situation, pricing strategies, promotional objectives, demand stimulation, etc. Proper identification of the stage in the product life cycle will allow the concept to be exploited effectively and turned into a managerial instrument of competitive power.<sup>3</sup>

It seems apparent from the study that the augmentation of the demographics with certain psychological variables contributes significantly to the understanding of the second-home condominium market. While it is intuitively obvious that other relevant psychological dimensions for this market have yet to be discovered, it is also obvious that the few which have been studied indicated

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<sup>2</sup>Ibid.

<sup>3</sup>Theodore Levitt, "Exploit the Product Life Cycle," Harvard Business Review 43 (November-December 1965): 81.

the importance of utilizing this frame of reference in addition to the overtaxed considerations of income, geographic location, and family size. If people with common emotional attitudes purchase similar products, these affective responses must be taken into consideration when delineating, describing, and communicating with the target market.

A final implication of the study is the possibility that builders and developers of second-home condominiums may be neglecting certain markets which may be profitable. The overwhelming concentration of market members in the highest income categories and upper social class strata may be indicative of a tendency to overlook potential markets of a less affluent nature. The emergence of such concepts as group purchase and time sharing should enable marketing strategists to expand and diversify their market targets. Preliminary research data of some condominium management organizations suggest that these potential customers buy for many of the same reasons as their wealthy counterparts.

### Suggested Future Research

The problem that has been established is certainly one without easy solution. Where human behavior in the marketplace is concerned, broad generalizations and widely



applicable solutions rarely apply. However, if this very basic study has begun to pique the reader's interest in the marketing of second-home condominiums and raise further questions which might be explored, then it is felt that a useful purpose has been served. Obviously, this research must be continued and further developed if a totally accurate picture of second-home condominium purchasers is to be obtained. Several areas for further research are suggested.

First, as was suggested in the preceding section of this chapter, there is the possibility that certain potential markets are being neglected. It is important to determine if the narrow profiles of the second-home condominium market currently being utilized by builders and developers exclude a potentially profitable market segment. If so, efforts must be made to establish the types of appeals and variations in the product to which these markets will respond.

Second, as first mentioned in Chapter 1, this study is an ex post facto examination of the respondent's decision to purchase a second-home condominium. A longitudinal study of buyer behavior should be conducted over a lengthy time period to determine whether consumer attitudes change with respect to the product and the purchase decision. Such a study would also aid in identifying the transitions to different stages in the product life cycle.

Third, the research should be replicated utilizing a different geographical dispersion of respondents. It is important to discover whether the results would be modified if the sample were drawn from a population which was not heavily concentrated in a few geographical regions. In this case, it is felt that a special effort should be made to include second-home condominium buyers in the Florida and Middle Atlantic markets.

Fourth, further exploration to discover other relevant dimensions of the second-home condominium market, especially the socio-psychological aspects, should be undertaken. The importance of these variables, as an augmentation to demographic descriptions, cannot be overemphasized. While it was attempted to discern some, certainly there are others which will prove useful to management in delineating markets, discovering consumer motivation, and designing marketing programs.

Fifth, analyses of the interrelationships between the variables may prove fruitful. Instead of viewing each variable in isolation and considering the implications of whatever is found, it may be profitable to examine how certain variables interact. For example, is there a relationship between a buyer's reasons for purchasing a second-home condominium (investment, recreation, etc.) and the distance of the condominium from the primary home;

or is there a relationship between the age of the head of the household and the rigidity pattern (s)he exhibits; or can it be expected that people with higher education levels will exhibit greater amounts of ego strength, etc.?

Finally, where applicable, some type of factor analysis should be performed on the data. "P," "Q," and/or "R" factor analysis would be most beneficial. By providing tests for factor loading, communality, uniqueness, specificity, and error, these analyses will determine if the scales are testing independent attitudes, indicate possible segmentation criteria based on factor loading, and tend to corroborate or refute the findings of this research.

## **APPENDICES**

**APPENDIX A**

**COVER LETTER AND QUESTIONNAIRE  
USED IN PREPARATORY SURVEY**

COLLEGE OF BUSINESS  
SCHOOL OF HOTEL, RESTAURANT & INSTITUTIONAL MANAGEMENT  
EPPLEY CENTER

EAST LANSING • MICHIGAN • 48824

Date

Name  
Address

Dear Sir:

I am a faculty member at Michigan State University working for a Ph.D. degree in Marketing. One of the requirements for this degree is to complete a research project for my Ph.D. thesis. The general thrust of the research will be to ascertain relevant demographic, psychological and social factors which influence the selection of condominiums by prospective buyers. This study of purchase motivations should assist specialists in all facets of condominium development--delineate target markets, manage product adjustment, and describe a proper promotional mix to sell with greater effectiveness.

As you might well imagine, support from the people and organizations in the industry will be of paramount importance in this undertaking. Please assist me by completing the relatively short and easy-to-answer questionnaire and returning it at your earliest convenience in the stamped, addressed envelope provided.

I anticipate that with the proper response and support from the industry that the research and analysis will be completed by Fall of this year. At that time I would provide a copy of the results to those generous enough to support the research.

Your response is vital to my ability to complete a meaningful research project, and I hope you'll take the time to complete the questionnaire and return it to me. Feel free to answer the questions with as much detail as you possibly can. Your responses will be appreciated and treated with the utmost privacy.

If you have any questions or if I may be of assistance, please do not hesitate to contact me. Thank you for your time and consideration.

Sincerely yours,



Dante M. Laudadio

Name \_\_\_\_\_  
 Title \_\_\_\_\_  
 Organization \_\_\_\_\_  
 Address \_\_\_\_\_  
 \_\_\_\_\_

In which professional associations and organizations related to condominium development do you or your organization hold membership?

- A. \_\_\_\_\_  
 B. \_\_\_\_\_  
 C. \_\_\_\_\_  
 D. \_\_\_\_\_

To what professional publications concerning condominiums do you or your organization subscribe?

- A. \_\_\_\_\_  
 B. \_\_\_\_\_  
 C. \_\_\_\_\_  
 D. \_\_\_\_\_

Which of the following characteristics do you feel are most important concerning buyers of condominiums? (Please check three)

- ( ) Income  
 ( ) Occupation  
 ( ) Education  
 ( ) Age  
 ( ) Sex  
 ( ) Number of children living at home  
 ( ) Marital status  
 ( ) Other(s) \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Which of the following characteristics do you feel are most important for describing the mental outlook of condominium buyers? (Please check four)

- ☐ Likes to feel he's standing on his own two feet
- ☐ Is a "joiner" rather than a "loner"
- ☐ Has a high opinion of himself
- ☐ Is more concerned about himself than others
- ☐ Is generally conservative in his outlook
- ☐ Is generally willing to take chances
- ☐ Is very concerned about what others think of him
- ☐ Is generally worldly-wise and refined
- ☐ Wants to be seen as an upstanding member of the community
- ☐ Other(s) \_\_\_\_\_

Which characteristics of American life do you feel will be most important for condominium growth? (Please check three)

- ☐ Crowded cities
- ☐ Faster travel
- ☐ Cheaper travel
- ☐ More time to spend as you want
- ☐ Air, water, noise pollution
- ☐ Rising prices
- ☐ Less time spent "on the job"
- ☐ Other(s) \_\_\_\_\_

Do you know of any research of this type that has already been done? ☐ Yes ☐ No

If yes, please specify:

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What particular area or subject matter regarding condominiums are you particularly interested in?

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Would be willing to supply the names and addresses of people who have purchased condominiums?

☐ Yes

☐ No

If yes, it would be appreciated if a list could be forwarded when the questionnaire is returned.

As I am sure you are aware, the cost of a project of this type would be a burden for the researcher if he did not receive the generous support of people and organizations in the field. I would appreciate knowing to what extent, if any, I can count on that support in return for providing an analysis of the results.

Please make any additional comments you wish:

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## **APPENDIX B**

### **TABULATION OF PREPARATORY SURVEY**

# TABULATION OF PREPARATORY SURVEY

1. In what professional associations related to condominium development do you or your organization hold membership?

American Land Development Association . . . . .	14
Urban Land Institute . . . . .	5
American Hotel & Motel Association . . . . .	5
National Association of Realtors . . . . .	3
National Homebuilders Association . . . . .	3
National Association of Real Estate Brokers . . . . .	2
Others (one each) . . . . .	11

2. To what professional publications concerning condominiums do you or your organization subscribe?

House and Home . . . . .	12
The Condominium Report . . . . .	6
Professional Builder . . . . .	4
Real Estate Review . . . . .	3
Cornell Quarterly . . . . .	3
Urban Land Institute Publications . . . . .	3
Recreation Land and Leisure Housing Report . . . . .	2
Others (one each) . . . . .	4

3. Which of the following characteristics do you feel are most important concerning buyers of condominiums?  
(Please check three)

Income . . . . .	41
Occupation . . . . .	25
Education . . . . .	12
Age . . . . .	21
Sex . . . . .	3
Number of children living at home . . . . .	11
Marital status . . . . .	5
Other . . . . .	3

4. Which of the following characteristics do you feel are most important for describing the mental outlook of condominium buyers? (Please check four)

Likes to feel he's standing on his own two feet	14
Is a "joiner" rather than a "loner" . . . . .	15
Has a high opinion of himself . . . . .	21
Is more concerned about himself than others . .	6
Is generally conservative in his outlook . . .	12
Is generally willing to take chances . . . . .	21
Is very concerned about what others think of him . . . . .	15
Is generally worldly-wise and refined . . . . .	15
Wants to be seen as an upstanding member of the community . . . . .	12
Recreation oriented . . . . .	9
Other . . . . .	7

5. Which characteristics of American life do you feel will be most important for condominium growth? (Please check three)

Crowded cities . . . . .	22
Faster travel . . . . .	11
Cheaper travel . . . . .	6
More time to spend as you want . . . . .	35
Air, water, noise pollution . . . . .	7
Rising prices . . . . .	15
Less time spent "on the job" . . . . .	12
Taxes . . . . .	6
Other . . . . .	3

6. Do you know of any research of this type that has already been done?

Yes . . . . . 11

7. What particular area or subject matter regarding condominiums are you particularly interested in?

Wide range of answers with little or no concensus.

8. Would you be willing to supply the names and addresses of people who have purchased condominiums?

Yes . . . . . 4

**APPENDIX C**

**COVER LETTER AND REPRINT  
OF QUESTIONNAIRE**

## MICHIGAN STATE UNIVERSITY

COLLEGE OF BUSINESS

SCHOOL OF HOTEL, RESTAURANT &amp; INSTITUTIONAL MANAGEMENT

EMPLEY CENTER

EAST LANSING • MICHIGAN • 48824

August 16, 1974

Name

Address

Dear Sir:

What do condominium owners have in common?How can management of condominiums be improved?

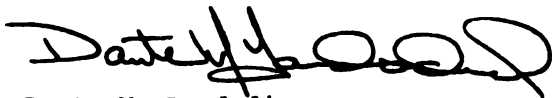
These are questions in which you have a vital interest as a condominium owner. The School of Hotel, Restaurant and Institutional Management at Michigan State University shares this interest. With your help we may be able to come up with some answers.

We would very much appreciate your cooperation in filling out the enclosed short questionnaire and returning it in the addressed stamped envelope provided for your convenience. It will take only a few minutes of your time. Your reply is important because this letter is going to only a selected sample of condominium owners. Therefore, the potential benefit of this study depends on your responses. The results of the study will provide guidelines for management of condominiums and will present valuable information about condominium owners.

The questionnaire provides for complete anonymity. However, if you would like a synopsis of the results, you may indicate your name and address at the end of the questionnaire. (This is entirely optional.) No one except myself will know who provided the information. There is no commercial tie-in whatever with this research.

Please do this now. Thank you for your cooperation.

Sincerely yours,



Dante M. Laudadio  
Director of Research

DML/bd

## SECTION I

1. What is occupation of head of household at the present time?

---

2. Please circle the letter which best describes your total family income for 1973.

- |                    |                    |                    |
|--------------------|--------------------|--------------------|
| A. \$6,000 or less | D. \$10,001-12,000 | G. \$20,001-30,000 |
| B. \$6,001-8,000   | E. \$12,001-15,000 | H. \$30,001-50,000 |
| C. \$8,001-10,000  | F. \$15,001-20,000 | I. Over \$50,000   |

3. What is the highest level of education attained by the head of the household?

- | <u>Elementary</u>                | <u>High School</u>                      | <u>College</u>                           |
|----------------------------------|---|--|
| <input type="checkbox"/> 1 and 2 | <input type="checkbox"/> 1 (9th grade)  | <input type="checkbox"/> (freshman)      |
| <input type="checkbox"/> 3 and 4 | <input type="checkbox"/> 2 (10th grade) | <input type="checkbox"/> (sophomore)     |
| <input type="checkbox"/> 5 and 6 | <input type="checkbox"/> 3 (11th grade) | <input type="checkbox"/> (junior)        |
| <input type="checkbox"/> 7       | <input type="checkbox"/> 4 (12th grade) | <input type="checkbox"/> (senior)        |
| <input type="checkbox"/> 8       |   | <input type="checkbox"/> (graduate work) |

4. What is your marital status?

Married ☐ Single ☐ Divorced ☐ Widowed ☐ Separated ☐

5. The head of the household is:

- |   |  |
|---|--|
| <input type="checkbox"/> (1) 18-19 years of age | <input type="checkbox"/> (6) 40-44 years of age        |
| <input type="checkbox"/> (2) 20-24 years of age | <input type="checkbox"/> (7) 45-49 years of age        |
| <input type="checkbox"/> (3) 25-29 years of age | <input type="checkbox"/> (8) 50-54 years of age        |
| <input type="checkbox"/> (4) 30-34 years of age | <input type="checkbox"/> (9) 55-59 years of age        |
| <input type="checkbox"/> (5) 35-39 years of age | <input type="checkbox"/> (10) 60-69 years of age       |
|   | <input type="checkbox"/> (11) 70 years of age or older |

6. Do you have any dependents living at home?

☐ Yes ☐ No (Go to Question Number 7)

If "Yes," indicate how many dependents you have in the following age brackets (do not include spouse).

- |   |   |
|---|---|
| <input type="checkbox"/> 3 years old or younger | <input type="checkbox"/> 13-15 years of age       |
| <input type="checkbox"/> 4-5 years of age       | <input type="checkbox"/> 16-19 years of age       |
| <input type="checkbox"/> 6-12 years of age      | <input type="checkbox"/> 20-24 years of age       |
|   | <input type="checkbox"/> 25 years of age or older |

7. Average number of vacation days per year for head of household.

- |   |                                  |  |
|---|----------------------------------|--|
| <input type="checkbox"/> Less than 1 week | <input type="checkbox"/> 3 weeks | <input type="checkbox"/> 8 weeks           |
| <input type="checkbox"/> 1 week           | <input type="checkbox"/> 4 weeks | <input type="checkbox"/> More than 8 weeks |
| <input type="checkbox"/> 2 weeks          | <input type="checkbox"/> 6 weeks |  |

8. Principal means of transportation when traveling to condominium?

☐ Automobile ☐ Airplane ☐ Train  
☐ Bus ☐ Other: \_\_\_\_\_

9. Approximate distance of condominium from primary home?

- |   |  |   |
|---|--|---|
| <input type="checkbox"/> Less than 50 miles | <input type="checkbox"/> 201-300 miles   | <input type="checkbox"/> 1,001-2,000 miles        |
| <input type="checkbox"/> 51-100 miles       | <input type="checkbox"/> 301-500 miles   | <input type="checkbox"/> More than 2,000 miles    |
| <input type="checkbox"/> 101-200 miles      | <input type="checkbox"/> 501-1,000 miles | <input type="checkbox"/> Outside Continental U.S. |

10. Average number of days condominium is occupied by owner or owner's family: \_\_\_\_\_

11. Is condominium rented during owner's absence? ☐ Yes ☐ No

12. Principal reason for condominium ownership:

<input type="checkbox"/> Investment	<input type="checkbox"/> Appreciation	<input type="checkbox"/> Other: _____
<input type="checkbox"/> Business	<input type="checkbox"/> Retirement	_____
<input type="checkbox"/> Recreation		_____

SECTION II: The purpose of this section is to obtain a picture of some of your feelings and beliefs. There are no right or wrong answers.

For each of the following statements circle the response that best represents your feelings.

1 = Strongly agree      3 = Slightly agree      5 = Disagree  
2 = Agree      4 = Slightly disagree      6 = Strongly disagree

1. The extent of a man's ambition to better himself is a pretty good indication of his character. 1 2 3 4 5 6
2. In order to merit the respect of others, a person should show the desire to better himself. 1 2 3 4 5 6
3. One of the things you should consider in choosing your friends is whether they can help you make your way in the world. 1 2 3 4 5 6
4. Ambition is the most important factor in determining success in life. 1 2 3 4 5 6
5. One should always try to live in a highly respectable residential area, even though it entails sacrifices. 1 2 3 4 5 6
6. Before joining any civic or political association, it is usually important to find out whether it has the backing of people who have achieved a respected social position. 1 2 3 4 5 6
7. Possession of proper social etiquette is usually the mark of a desirable person. 1 2 3 4 5 6
8. The raising of one's social position is one of the more important goals in life. 1 2 3 4 5 6
9. It is worth considerable effort to assure one's self of a good name with the right kind of people. 1 2 3 4 5 6
10. An ambitious person can almost always achieve his goals. 1 2 3 4 5 6

For each of the following statements circle "T" if you believe the statement is true; "F" if you believe it is false.

- T F 11. I am a very ambitious person.  
T F 12. I am very stubborn and set in my ways.  
T F 13. No one can change my beliefs in which I have strong faith.  
T F 14. I frequently find myself worrying about the future.  
T F 15. I frequently worry about things that never happen.  
T F 16. I give everything I have to what I undertake to do.  
T F 17. I am a calm person in almost any emergency.  
T F 18. Often I feel tense without any good reason.  
T F 19. I am restless or irritable when people make me wait for them.  
T F 20. I am always self-reliant and independent in doing my work.  
T F 21. I am one who likes actively to keep busy.  
T F 22. I have an inferiority complex about my abilities to do things.  
T F 23. I have strong beliefs which I will always stand by.  
T F 24. One of my greatest troubles is that I cannot get down to work when I should.  
T F 25. I can work in the midst of a number of distractions.  
T F 26. Whenever I am upset I always get over it right away.  
T F 27. Often I feel that my time is spent aimlessly.  
T F 28. When I decide to do something, I go right to work on it.  
T F 29. I don't like to have to work hard to get things done.  
T F 30. I never persist at things very long without giving up.
31. Any additional comments about any aspect of your condominium or its management?

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SECTION II: The purpose of this survey is to obtain a picture of the traits you believe you possess, and to see how you describe yourself. There are no right or wrong answers, so try to describe yourself as accurately and honestly as you can.

In each of the pairs of words below, check the one you think most describes you.

- |   |  |  |
|---|--|--|
| 1. <input type="checkbox"/> capable<br><input type="checkbox"/> discreet        | 7. <input type="checkbox"/> sharp-witted<br><input type="checkbox"/> deliberate  | 14. <input type="checkbox"/> responsible<br><input type="checkbox"/> reliable        |
| 2. <input type="checkbox"/> understanding<br><input type="checkbox"/> thorough  | 8. <input type="checkbox"/> kind<br><input type="checkbox"/> jolly               | 15. <input type="checkbox"/> dignified<br><input type="checkbox"/> civilized         |
| 3. <input type="checkbox"/> cooperative<br><input type="checkbox"/> inventive   | 9. <input type="checkbox"/> enterprising<br><input type="checkbox"/> intelligent | 16. <input type="checkbox"/> imaginative<br><input type="checkbox"/> self-controlled |
| 4. <input type="checkbox"/> persevering<br><input type="checkbox"/> independent | 10. <input type="checkbox"/> progressive<br><input type="checkbox"/> thrifty     | 17. <input type="checkbox"/> sympathetic<br><input type="checkbox"/> patient         |
| 5. <input type="checkbox"/> loyal<br><input type="checkbox"/> dependable        | 11. <input type="checkbox"/> thoughtful<br><input type="checkbox"/> fair-minded  | 18. <input type="checkbox"/> stable<br><input type="checkbox"/> foresighted          |
| 6. <input type="checkbox"/> unaffected<br><input type="checkbox"/> alert        | 12. <input type="checkbox"/> sociable<br><input type="checkbox"/> steady         | 19. <input type="checkbox"/> honest<br><input type="checkbox"/> generous             |
|   | 13. <input type="checkbox"/> pleasant<br><input type="checkbox"/> modest         |  |

In each of the pairs of words below, check the one you think least describes you.

- |  |  |  |
|--|--|--|
| 20. <input type="checkbox"/> shy<br><input type="checkbox"/> lazy                | 27. <input type="checkbox"/> changeable<br><input type="checkbox"/> prudish        | 35. <input type="checkbox"/> shiftless<br><input type="checkbox"/> bitter          |
| 21. <input type="checkbox"/> immature<br><input type="checkbox"/> quarrelsome    | 28. <input type="checkbox"/> careless<br><input type="checkbox"/> foolish          | 36. <input type="checkbox"/> hard-hearted<br><input type="checkbox"/> self-pitying |
| 22. <input type="checkbox"/> unfriendly<br><input type="checkbox"/> self-seeking | 29. <input type="checkbox"/> apathetic<br><input type="checkbox"/> egotistical     | 37. <input type="checkbox"/> cynical<br><input type="checkbox"/> aggressive        |
| 23. <input type="checkbox"/> conceited<br><input type="checkbox"/> infantile     | 30. <input type="checkbox"/> despondent<br><input type="checkbox"/> evasive        | 38. <input type="checkbox"/> dissatisfied<br><input type="checkbox"/> outspoken    |
| 24. <input type="checkbox"/> shallow<br><input type="checkbox"/> stingy          | 31. <input type="checkbox"/> weak<br><input type="checkbox"/> selfish              | 39. <input type="checkbox"/> undependable<br><input type="checkbox"/> resentful    |
| 25. <input type="checkbox"/> unstable<br><input type="checkbox"/> frivolous      | 32. <input type="checkbox"/> rattle-brained<br><input type="checkbox"/> disorderly | 40. <input type="checkbox"/> sly<br><input type="checkbox"/> excitable             |
| 26. <input type="checkbox"/> dreamy<br><input type="checkbox"/> dependent        | 33. <input type="checkbox"/> fussy<br><input type="checkbox"/> submissive          | 41. <input type="checkbox"/> irresponsible<br><input type="checkbox"/> impatient   |
|  | 34. <input type="checkbox"/> opinionated<br><input type="checkbox"/> pessimistic   |  |

For each of the following statements circle the response that best represents your feelings.

- |                    |                       |                       |
|--------------------|-----------------------|-----------------------|
| 1 = Strongly agree | 3 = Slightly agree    | 5 = Disagree          |
| 2 = Agree          | 4 = Slightly disagree | 6 = Strongly disagree |

42. The most rewarding organizations a person can belong to are local clubs and associations rather than large nationwide organizations. 1 2 3 4 5 6
43. Despite all the newspaper and TV coverage, national and international happenings rarely seem as interesting as events that occur right in the local community in which one lives. 1 2 3 4 5 6
44. No doubt many newcomers to the community are capable people; but when it comes to choosing a person for a responsible position in the community, I prefer a man whose family is well-established in the community. 1 2 3 4 5 6
45. Big cities may have their place but the local community is the backbone of America. 1 2 3 4 5 6
46. I have greater respect for a man who is well-established in his local community than a man who is widely known in his field but who has no local roots. 1 2 3 4 5 6
47. Any additional comments about any aspect of your condominium or its management?

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SECTION II: The purpose of this section is to obtain a picture of some of your feelings and beliefs. There are no right or wrong answers.

For each of the following statements circle "T" if you believe the statement is true; "F" if you believe it is false.

- T F 1. I usually don't like to talk much unless I am with people I know very well.  
 T F 2. I like to talk before groups of people.  
 T F 3. It is hard for me to start a conversation with strangers.  
 T F 4. I would like to be an actor on the stage or in the movies.  
 T F 5. It is hard for me to act natural when I am with new people.  
 T F 6. I feel nervous if I have to meet a lot of people.  
 T F 7. I usually feel nervous and ill at ease at a formal dance or party.  
 T F 8. When I work on a committee I like to take charge of things.  
 T F 9. I usually take an active part in the entertainment at parties.  
 T F 10. I am a better talker than listener.  
 T F 11. I try to remember good stories to pass them on to other people.  
 T F 12. I am embarrassed with people I do not know well.  
 T F 13. A strong person doesn't show his emotions and feelings.  
 T F 14. I must admit that it makes me angry when other people interfere with my daily activity.  
 T F 15. I find that a well-ordered mode of life with regular hours is congenial to my temperament.  
 T F 16. It bothers me when something unexpected interrupts my daily routine.  
 T F 17. I don't like to undertake any project unless I have a pretty good idea as to how it will turn out.  
 T F 18. I find it hard to set aside a task that I have undertaken, even for a short time.  
 T F 19. I don't like things to be uncertain and unpredictable.  
 T F 20. I must admit I try to see what others think before I take a stand.  
 T F 21. I do not like to see women smoke.  
 T F 22. I would be uncomfortable in anything other than fairly conventional dress.  
 T F 23. I keep out of trouble at all costs.  
 T F 24. It wouldn't make me nervous if any members of my family got into trouble with the law.  
 T F 25. I must admit that I would find it hard to have for a close friend a person whose manners or appearance made him somewhat repulsive, no matter how brilliant or kind he might be.  
 T F 26. I would certainly enjoy beating a crook at his own game.  
 T F 27. I would like the job of a foreign correspondent for a newspaper.

For each of the following statements check the response which best indicates your point of view.

28. Some people say that most people can be trusted. Others say you can't be too careful in your dealings with people. How do you feel about it?  
     \_\_\_ Most people can be trusted.  
     \_\_\_ You can't be too careful.
29. Would you say that most people are more inclined to help others, or more inclined to look out for themselves?  
     \_\_\_ To help others.  
     \_\_\_ To look out for themselves.
30. If you don't watch yourself, people will take advantage of you.  
     \_\_\_ Agree                      \_\_\_ Disagree                      \_\_\_ ?
31. No one is going to care much what happens to you, when you get right down to it.  
     \_\_\_ Agree                      \_\_\_ Disagree                      \_\_\_ ?
32. Human nature is fundamentally cooperative.  
     \_\_\_ Agree                      \_\_\_ Disagree                      \_\_\_ ?
33. Any additional comments about any aspect of your condominium or its management?  
     \_\_\_\_\_  
     \_\_\_\_\_

## **APPENDIX D**

### **TABLES OF DEMOGRAPHIC VARIABLES**

TABLE D-1  
OCCUPATION OF HEAD OF HOUSEHOLD

Occupation Level	n	Per Cent
Professional	163	33.3
Managerial	216	44.1
Sales	61	12.4
Skilled	13	2.7
Semi-skilled	1	0.2
Unskilled	--	--
Retired	<u>36</u>	<u>7.3</u>
Total	490	100.0

TABLE D-2  
TOTAL FAMILY INCOME

Income	n	Per Cent
Less than \$6,000	4	0.8
\$6,001-\$8,000	1	0.2
\$8,001-\$10,000	--	--
\$10,001-\$12,000	5	0.9
\$12,001-\$15,000	8	1.5
\$15,001-\$20,000	27	5.1
\$20,001-\$30,000	76	14.4
\$30,001-\$50,000	157	29.7
Over \$50,000	<u>250</u>	<u>47.3</u>
Total	528	100.0

TABLE D-3

## HIGHEST LEVEL OF EDUCATION ATTAINED BY HEAD OF HOUSEHOLD

Educational Level	n	Per Cent
Elementary school	1	0.2
Some high school	3	0.6
High school degree	33	6.2
Some college	74	14.0
College degree	150	28.3
Graduate work	<u>267</u>	<u>50.8</u>
Total	530	100.0

TABLE D-4

## MARITAL STATUS

Marital Status	n	Per Cent
Married	486	91.7
Single	16	3.0
Divorced	19	3.6
Widowed	8	1.5
Separated	<u>1</u>	<u>0.2</u>
Total	530	100.0

TABLE D-5  
AGE OF HEAD OF HOUSEHOLD

Chronological Age	n	Per Cent
20-24	1	0.2
25-29	3	0.6
30-34	10	1.9
35-39	41	7.7
40-44	72	13.6
45-49	110	20.8
50-54	129	23.8
55-59	92	17.4
60-69	64	12.1
70 and over	<u>11</u>	<u>2.1</u>
Total	530	100.0

TABLE D-6  
DEPENDENTS AT HOME

Response	n	Per Cent
Yes	327	61.8
No	<u>202</u>	<u>38.2</u>
Total	529	100.0

TABLE D-7  
FAMILY LIFE CYCLE

Stage in Family Life Cycle	n	Per Cent
Single	26	5.1
Couple without children	165	32.3
Oldest child three years old or younger	7	1.4
Oldest child four to five years of age	5	1.0
Oldest child six to twelve years of age	45	8.8
Oldest child thirteen to nineteen years of age	151	29.5
Oldest child twenty to twenty-five years of age	97	19.0
Oldest child over twenty- five years of age with younger sibling	7	1.4
Youngest child over twenty-five years of age	<u>8</u>	<u>1.6</u>
Total	511	100.0

TABLE D-8  
AVERAGE NUMBER OF VACATION DAYS

Vacation Days	n	Per Cent
Less than 1 week	9	1.7
1 week	9	1.7
2 weeks	35	6.7
3 weeks	106	20.3
4 weeks	160	30.7
6 weeks	79	15.2
8 weeks	36	6.9
More than 8 weeks	<u>87</u>	<u>16.7</u>
Total	521	100.0

TABLE D-9  
DISTANCE OF CONDOMINIUM FROM PRIMARY HOME

Distance	n	Per Cent
Less than 50 miles	46	8.8
51-100 miles	37	7.1
101-200 miles	156	29.9
201-300 miles	26	5.0
301-500 miles	26	5.0
501-1,000 miles	80	15.3
1,001-2,000 miles	102	19.5
More than 2,000 miles	23	4.4
Outside continental U.S.	<u>26</u>	<u>5.0</u>
Total	522	100.0



TABLE D-10

## PRINCIPAL MEANS OF TRANSPORTATION TO AND FROM CONDOMINIUM

Means of Transportation	n	Per Cent
Automobile	319	60.9
Airplane	137	26.1
Automobile and airplane	62	11.8
Automobile with train or bus	3	0.6
Other	<u>3</u>	<u>0.6</u>
Total	524	100.0

TABLE D-11

AVERAGE NUMBER OF DAYS CONDOMINIUM IS OCCUPIED  
BY OWNER OR OWNER'S FAMILY

Days Occupied	n	Per Cent
7 days or less	71	13.8
8-14 days	74	14.3
15-21 days	95	18.4
22-30 days	93	18.0
31-45 days	40	7.8
46-60 days	39	7.6
61-90 days	42	8.1
91-120 days	26	5.0
121 days or more	<u>36</u>	<u>7.0</u>
Total	516	100.0

TABLE D-12

## IS CONDOMINIUM RENTED IN OWNER'S ABSENCE?

Response	n	Per Cent
Yes	411	77.7
No	<u>118</u>	<u>22.3</u>
Total	529	100.0

TABLE D-13

## PRINCIPAL REASON FOR CONDOMINIUM OWNERSHIP

Reason	n	Per Cent
Investment	271	51.1
Recreation	199	37.5
Appreciation	13	2.5
Business	13	2.5
Retirement home	23	4.3
Other	<u>11</u>	<u>2.1</u>
Total	530	100.0

## **APPENDIX E**

### **TABLES OF PSYCHOLOGICAL VARIABLES**

TABLE E-1  
STATUS CONCERN SCALE

Value	Absolute Frequency	Relative Frequency (Per Cent)	Adjusted Frequency (Per Cent)	Cumulative Adjusted Frequency (Per Cent)
20.00	1	0.6	0.6	0.6
22.00	1	0.6	0.6	1.2
23.00	3	1.8	1.8	3.1
24.00	2	1.2	1.2	4.3
25.00	2	1.2	1.2	5.5
27.00	1	0.6	0.6	6.1
28.00	1	0.6	0.6	6.7
29.00	1	0.6	0.6	7.4
30.00	4	2.4	2.5	9.8
31.00	2	1.2	1.2	11.0
32.00	4	2.4	2.5	13.5
33.00	4	2.4	2.5	16.0
34.00	3	1.8	1.8	17.8
35.00	5	2.9	3.1	20.9
36.00	7	4.1	4.3	25.2
37.00	5	2.9	3.1	28.2
38.00	6	3.5	3.7	31.9
39.00	7	4.1	4.3	36.2
40.00	5	2.9	3.1	39.3
41.00	4	2.4	2.5	41.7
42.00	4	2.4	2.5	44.2
43.00	6	3.5	3.7	47.9
44.00	2	1.2	1.2	49.1
45.00	5	2.9	3.1	52.1
46.00	8	4.7	4.9	57.1
47.00	5	2.9	3.1	60.1
48.00	3	1.8	1.8	62.0
49.00	6	3.5	3.7	65.6
50.00	4	2.4	2.5	68.1
51.00	4	2.4	2.5	70.6
52.00	8	4.7	4.9	75.5
53.00	2	1.2	1.2	76.7
54.00	6	3.5	3.7	80.4
55.00	1	0.6	0.6	81.0
56.00	6	3.5	3.7	84.7
57.00	4	2.4	2.5	87.1
58.00	3	1.8	1.8	89.0
59.00	2	1.2	1.2	90.2
60.00	4	2.4	2.5	92.6
62.00	3	1.8	1.8	94.5
63.00	4	2.4	2.5	96.9
64.00	2	1.2	1.2	98.2
65.00	1	0.6	0.6	98.8
70.00	2	1.2	1.2	100.0
0	7	4.1	missing	100.0
Total	170	100.0	100.0	100.0

TABLE E-2

## EGO STRENGTH SCALE

Value	Absolute Frequency	Relative Frequency (Per Cent)	Adjusted Frequency (Per Cent)	Cumulative Adjusted Frequency (Per Cent)
5.00	3	1.8	2.0	2.0
6.00	1	0.6	0.7	2.7
7.00	1	0.6	0.7	3.3
8.00	5	2.9	3.3	6.7
9.00	5	2.9	3.3	10.0
10.00	9	5.3	6.0	16.0
11.00	12	7.1	8.0	24.0
12.00	10	5.9	6.7	30.7
13.00	13	7.6	8.7	39.3
14.00	19	11.2	12.7	52.0
15.00	21	12.4	14.0	66.0
16.00	24	14.1	16.0	82.0
17.00	12	7.1	8.0	90.0
18.00	6	3.5	4.0	94.0
19.00	8	4.7	5.3	99.3
20.00	1	0.6	0.7	100.0
0	<u>20</u>	<u>11.8</u>	<u>missing</u>	<u>100.0</u>
Total	170	100.0	100.0	100.0

TABLE E-3  
ACHIEVEMENT MOTIVATION SCALE

Value	Absolute Frequency	Relative Frequency (Per Cent)	Adjusted Frequency (Per Cent)	Cumulative Adjusted Frequency (Per Cent)
16.00	1	0.6	0.7	0.7
18.00	1	0.6	0.7	1.4
20.00	1	0.6	0.7	2.1
22.00	3	1.7	2.1	4.3
24.00	2	1.2	1.4	5.7
25.00	2	1.2	1.4	7.1
26.00	3	1.7	2.1	9.3
27.00	2	1.2	1.4	10.7
29.00	5	2.9	3.6	14.3
30.00	4	2.3	2.9	17.1
31.00	5	2.9	3.6	20.7
32.00	4	2.3	2.9	23.6
33.00	1	0.6	0.7	24.3
34.00	6	3.5	4.3	28.6
35.00	5	1.7	2.1	30.7
36.00	3	2.9	3.6	34.3
37.00	7	4.0	5.0	39.3
38.00	12	6.9	8.6	47.9
39.00	3	1.7	2.1	50.0
40.00	8	4.6	5.7	55.7
41.00	5	2.9	3.6	59.3
42.00	3	1.7	2.1	61.4
43.00	8	4.6	5.7	67.1
44.00	7	4.0	5.0	72.1
45.00	1	0.6	0.7	72.9
46.00	12	6.9	8.6	81.4
47.00	2	1.2	1.4	82.9
48.00	4	2.3	2.9	85.7
49.00	3	1.7	2.1	87.9
50.00	2	1.2	1.4	89.3
51.00	3	1.7	2.1	91.4
52.00	3	1.7	2.1	93.6
53.00	2	1.2	1.4	95.0
54.00	4	2.3	2.9	97.9
56.00	2	1.2	1.4	99.3
57.00	1	0.6	0.7	100.0
0	<u>33</u>	<u>19.1</u>	<u>missing</u>	<u>100.0</u>
Total	173	100.0	100.0	100.0

TABLE E-3  
ACHIEVEMENT MOTIVATION SCALE

Value	Absolute Frequency	Relative Frequency (Per Cent)	Adjusted Frequency (Per Cent)	Cumulative Adjusted Frequency (Per Cent)
16.00	1	0.6	0.7	0.7
18.00	1	0.6	0.7	1.4
20.00	1	0.6	0.7	2.1
22.00	3	1.7	2.1	4.3
24.00	2	1.2	1.4	5.7
25.00	2	1.2	1.4	7.1
26.00	3	1.7	2.1	9.3
27.00	2	1.2	1.4	10.7
29.00	5	2.9	3.6	14.3
30.00	4	2.3	2.9	17.1
31.00	5	2.9	3.6	20.7
32.00	4	2.3	2.9	23.6
33.00	1	0.6	0.7	24.3
34.00	6	3.5	4.3	28.6
35.00	5	1.7	2.1	30.7
36.00	3	2.9	3.6	34.3
37.00	7	4.0	5.0	39.3
38.00	12	6.9	8.6	47.9
39.00	3	1.7	2.1	50.0
40.00	8	4.6	5.7	55.7
41.00	5	2.9	3.6	59.3
42.00	3	1.7	2.1	61.4
43.00	8	4.6	5.7	67.1
44.00	7	4.0	5.0	72.1
45.00	1	0.6	0.7	72.9
46.00	12	6.9	8.6	81.4
47.00	2	1.2	1.4	82.9
48.00	4	2.3	2.9	85.7
49.00	3	1.7	2.1	87.9
50.00	2	1.2	1.4	89.3
51.00	3	1.7	2.1	91.4
52.00	3	1.7	2.1	93.6
53.00	2	1.2	1.4	95.0
54.00	4	2.3	2.9	97.9
56.00	2	1.2	1.4	99.3
57.00	1	0.6	0.7	100.0
0	33	19.1	missing	100.0
Total	173	100.0	100.0	100.0

TABLE E-4  
SELF-ASSURANCE SCALE

Value	Absolute Frequency	Relative Frequency (Per Cent)	Adjusted Frequency (Per Cent)	Cumulative Adjusted Frequency (Per Cent)
15.00	1	0.6	0.8	0.8
17.00	2	1.2	1.6	2.4
18.00	2	1.2	1.6	3.9
19.00	4	2.3	3.1	7.1
20.00	6	3.5	4.7	11.8
21.00	5	2.9	3.9	15.7
22.00	6	3.5	4.7	20.5
23.00	5	2.9	3.9	24.4
24.00	5	2.9	3.9	28.3
25.00	8	4.6	6.3	34.6
26.00	9	5.2	7.1	41.7
27.00	10	5.8	7.9	49.6
28.00	9	5.2	7.1	56.7
29.00	8	4.6	6.3	63.0
30.00	15	8.7	11.8	74.8
31.00	11	6.4	8.7	83.5
32.00	5	2.9	3.9	87.4
33.00	8	4.6	6.3	93.7
34.00	3	1.7	2.4	96.1
35.00	4	2.3	3.1	99.2
38.00	1	0.6	0.8	100.0
0	<u>46</u>	<u>26.6</u>	<u>missing</u>	<u>100.0</u>
Total	173	100.0	100.0	100.0



TABLE E-5

## RIGIDITY SCALE

Value	Absolute Frequency	Relative Frequency (Per Cent)	Adjusted Frequency (Per Cent)	Cumulative Adjusted Frequency (Per Cent)
1.00	1	0.5	0.6	0.6
3.00	1	0.5	0.6	1.3
5.00	2	1.1	1.3	2.6
6.00	4	2.1	2.6	5.2
7.00	6	3.2	3.9	9.0
8.00	8	4.3	5.2	14.2
9.00	10	5.3	6.5	20.6
10.00	20	10.7	12.9	33.5
11.00	14	7.5	9.0	42.6
12.00	20	10.7	12.9	55.5
13.00	17	9.1	11.0	66.5
14.00	12	6.4	7.7	74.2
15.00	13	7.0	8.4	82.6
16.00	6	3.2	3.9	86.5
17.00	7	3.7	4.5	91.0
18.00	4	2.1	2.6	93.5
19.00	1	0.5	0.6	94.2
20.00	2	1.1	1.3	95.5
21.00	2	1.1	1.3	96.8
22.00	1	0.5	0.6	97.4
23.00	3	1.6	1.9	99.4
25.00	1	0.5	0.6	100.0
0	<u>32</u>	<u>17.1</u>	<u>missing</u>	<u>100.0</u>
Total	187	100.0	100.0	100.0

TABLE E-6

## LOCAL-COSMOPOLITAN SCALE

Value	Absolute Frequency	Relative Frequency (Per Cent)	Adjusted Frequency (Per Cent)	Cumulative Adjusted Frequency (Per Cent)
5.00	1	0.6	0.6	0.6
6.00	1	0.6	0.6	1.3
7.00	1	0.6	0.6	1.9
8.00	3	1.7	1.9	3.8
10.00	2	1.2	1.3	5.0
11.00	7	4.0	4.4	9.4
12.00	8	4.6	5.0	14.5
13.00	7	4.0	4.4	18.9
14.00	14	8.1	8.8	27.7
15.00	7	4.0	4.4	32.1
16.00	17	9.8	10.7	42.8
17.00	10	5.8	6.3	49.1
18.00	17	9.8	10.7	59.7
19.00	13	7.5	8.2	67.9
20.00	7	4.0	4.4	72.3
21.00	11	6.4	6.9	79.2
22.00	7	4.0	4.4	83.6
23.00	6	3.5	3.8	87.4
24.00	5	2.9	3.1	90.6
25.00	5	2.9	3.1	93.7
26.00	8	4.6	5.0	98.7
27.00	1	0.6	0.6	99.4
28.00	1	0.6	0.6	100.0
0	<u>14</u>	<u>8.1</u>	<u>missing</u>	<u>100.0</u>
Total	173	100.0	100.0	100.0

TABLE E-7  
FAITH IN PEOPLE SCALE

Value	Absolute Frequency	Relative Frequency (Per Cent)	Adjusted Frequency (Per Cent)	Cumulative Adjusted Frequency (Per Cent)
1.00	40	21.4	29.6	29.6
2.00	46	24.6	34.1	63.7
3.00	27	14.4	20.0	83.7
4.00	18	9.6	13.3	97.0
5.00	4	2.1	3.0	100.0
0	<u>52</u>	<u>27.8</u>	<u>missing</u>	<u>100.0</u>
Total	187	100.0	100.0	100.0

## **APPENDIX F**

### **KOLMOGOROV-SMIROV TWO-SAMPLE TEST**

## KOLMOGOROV-SMIROV TWO-SAMPLE TEST

As previously explained the Kolmogorov-Smirnov Two-Sample Test provides an especially broad and powerful test to determine if two samples have been drawn from the same population. The purpose is to demonstrate that the conclusions reached concerning each of the subsamples could be extended to include the entire sample. Three variables were chosen for the comparison: occupation, income, and education. As the most important determinants of social class and life style, it seems reasonable to conclude that if the differences in these variables between the subsamples are not statistically significant, then the conclusions may be generalized not only from the sample to the population but also from each subsample to the population.

The data comparisons are summarized in Table F-1. The first concern should be with the column labeled "D." The maximum distance between the data taken from the cumulative distributions of the two subsamples is indicated by D. Since it is expressed as a proportion, the maximum value for D is the reciprocal of the smaller subsample size, i.e.,  $1/N_1$  or  $1/N_2$ . If the subsamples were the same size, D could equal 0. If the two subsamples do not correspond at any segment, then D will equal its maximum value of 1.0. The probability of  $D=1.0$  will vary with the subsample size.

TABLE F-1  
SUMMARY OF KOLMOGOROV-SMIROV TWO-SAMPLE TEST<sup>a</sup>

	Higher Group	N <sub>1</sub>	Lower Group	N <sub>2</sub>	D	Probability (One-Sided)	Probability (Two-Sided)
Occupation	1.00	159	2.00	157	.0602	.5644	.9373
	1.00	159	3.00	154	.0813	.3332	.6418
	3.00	174	2.00	157	.1184	.0988	.1974
Income	1.00	168	2.00	173	.0665	.4708	.8456
	1.00	168	3.00	187	.0248	.8966	1.0000
	3.00	187	2.00	173	.0531	.6024	.9617
Education	1.00	170	2.00	173	.0220	.9204	1.0000
	3.00	187	1.00	170	.0701	.4173	.7747
	3.00	187	2.00	173	.0485	.6549	.9840

<sup>a</sup>A total of 531 observations were counted.

In addition to the D values, attention is directed to the columns labeled "higher group" and "lower group." The higher group is the one which tended to have the larger scores as determined at the point where the distributions deviated the most from one another. The probabilities for the one-sided and two-sided tests are given.

### One-Sided Test

This test should be interpreted as delineating the probability of the null hypothesis (that there is no difference between the subsamples) as follows:

. . . the cumulative distribution function  $F(x)$  for the values from the first [sub]sample is equal to the cumulative distribution function  $G(x)$  for the values from the second [sub]sample. In other words, the null hypothesis is that  $F(x) \equiv G(x)$ . The alternate hypothesis to be considered is of a more specific nature than the alternate hypothesis for (the two-sided test). . . . We shall be concerned with the alternate hypothesis that  $F(x) \leq G(x)$ . If the alternate hypothesis is, in fact, true (with the 'less than' relation holding for some values of  $(x)$ ), we say that the population values from which the first [sub]sample was drawn are stochastically larger than the population values from which the second sample was drawn.<sup>1</sup>

### Two-Sided Test

This test should be interpreted as delineating the probability of the null hypothesis,  $F(x) \equiv G(x)$ , just as in the one-sided test. However, the alternate hypothesis is

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<sup>1</sup>Leo A. Goodman, "Kolmogorov-Smirnov Tests for Psychological Research," Psychological Bulletin 51 (1954): 166

now  $F(x) \neq G(x)$ . Since the computer program which was utilized may overestimate the two-sided probabilities by as much as 10%, it is always safe to reject the null hypothesis when the computed probability level is less than the alpha level ( $\alpha$ ) of .05. However, the null hypothesis should be accepted when the probability exceeds the alpha level by 10% or more.<sup>2</sup>

It is apparent from Table F-1 that there is no statistically significant difference between the three subsamples for any of the three variables investigated. Therefore, it reasonably may be inferred that conclusions reached concerning one subsample are applicable to the others.

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<sup>2</sup>Michigan State University, Computer Institute for Social Science Research (CISSR), Technical Report No. 44, p. 7.



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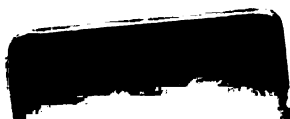
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