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Buying a house and the decision to use a real estate broker

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Leonard V. Zumpano[1], Harold W. Elder[2] & Edward A. Baryla[3]

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Abstract

This study examines the factors that affect the decision by home buyers to use real estate brokers and the subsequent effect this decision has on home prices. Buyers with high opportunity costs and the least amount of information about local market conditions are the most likely to use brokers; a finding consistent with the role of the real estate broker as a market intermediary. Not surprisingly, these were some of the same factors that also have a positive impact on selling price. An important finding of this study is that when selection bias is adequately controlled, the real estate broker has no appreciable, independent impact on selling price. This, in turn, suggests a nonsegmented, highly competitive housing market.

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Author information

Authors and Affiliations

The University of Alabama, Department of Economics, Finance and Legal Studies, College of Commerce and Business Administration, 35487,

Tuscaloosa, Alabama, USA
Leonard V. Zumpano

The University of Alabama, Department of Economics, Finance and Legal Studies, College Commerce and Business Administration, 35487, Tuscaloosa, Alabama, USA
Harold W. Elder

Department of Economics and Finance, East Tennessee State University, 37614, Johnson City, Tennessee, USA
Edward A. Baryla

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