

The Real Estate Brokerage Market: A Critical Reevaluation

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Abstract

This paper presents an analysis of the theories and evidence regarding the structure and performance of the market for real estate brokerage services. Some of the theoretical models found in the literature appear to suffer from logical inconsistencies, while others lack empirical support for their underlying assumptions and/or their predictions of market inefficiencies. Moreover, several important legal and institutional changes that have occurred recently have not been given sufficient attention in the existing literature.

Although some new evidence on this market is presented here, additional empirical research is warranted in at least two areas: the current pricing structure and the underlying production and cost functions of the real estate brokerage industry.

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