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Broker beauty and boon: a study of physical attractiveness and its effect on real estate brokers' income and productivity

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Abstract

This study examines beauty and its effect on real estate agents' wages. We develop a model of beauty and real estate agent wages, performing empirical tests of the theory. We apply Two-Stage Least Squares (2SLS) methodology to a combined data set that includes multiple listing service data and a unique survey designed to measure individual agents' beauty or attractiveness; the analysis takes two forms: transaction-level analysis and agent-level analysis. Results suggest that beauty augments more attractive agents' wages and that more attractive agents use beauty to supplement classic production-related characteristics such as effort, intelligence and organizational skills.

Keywords:

real estate brokers real estate markets human capital financial economics

JEL Classification::

G00 L85

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Notes

[1] For a discussion of human capital in labour markets, see, for example, Becker (1985).

[2] The reader should consult Munneke and Yavas (2001) for a detailed presentation of the agent contract choice problem.

[3] Data on actual earnings of the agents are not available in the MLS dataset that we use later in this study.

[4] Throughout this work, we use the terms ‘agent’, ‘broker’ and ‘real estate professional’ interchangeably to describe individuals who facilitate residential real estate transactions by listing properties for sale in an MLS and/or by marketing such properties to prospective buyers.

[5] See Miller (1978) and Haurin (1988) present seminal studies. The interested reader may also consult Yavas and Yang (1995), Glower et al. (1998) and Anglin et al. (2003) for three subsequent studies of the price/time tradeoff.

[6] See, for example, Feingold (1992), Jackson et al. (1995), and Zebrowitz et al. (2002) for establishment of the ‘halo effect’.

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