

## Chapter 2

# Changes in Pre-internet Real Estate Brokerage Industry in the US Over the Century

### Readers Guide

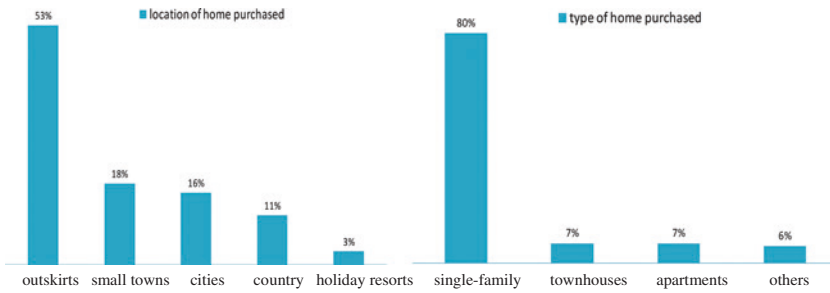
- The nature of real estate brokerage business is correlating buyer and seller information. Given the highly decentralized, locally specific and non-standardized housing supply and highly differential and individualized market demand, the nature of the real estate brokerage industry and the primal issue it is confronted with is the correlation of information.
- Even in today's America, where the internet is a pervasive presence, nearly 90 % of the real estate transactions are closed with the assistance of real estate agents, with only 9 % done by the sellers themselves, and the ratio is still on the decrease (down from 18 % in 1997 and 9 % in 2013). In the UK, Australia and China, the ratio of broker-assisted transactions is over 80 %.
- Information products cost a lot to produce but little to duplicate and disseminate. That is why the real estate brokerage industry has always been confronted with information paradox.

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## 2.1 The Characteristics of Real Estate Transactions

The characteristics of real estate transactions render real estate service a highly information-intensive business.

First, buying or selling a home is usually the biggest and most important assets deployment in a family life cycle. Such decisions are few and far between and have to be made with great discretion, hence the demand for adequate, up-to-date and accurate information.



**Fig. 2.1** The locations and types of homes purchased in the US. *Source* NAR (2014)

Second, homes are highly non-standardized and localized properties. Every home is different due to its different location, neighborhood, supporting facilities and transportation. In addition, buyer resources are diversified. It is extremely difficult to match the right seller with the right buyer. In America, 71 % of the transacted homes are in the outskirts and small towns, and 87 % of them are single family homes (see Fig. 2.1). Selling or buying homes is mostly about processing a store of highly locally specific and non-standardized information.

Third, real estate transactions involve a series of important steps, including consulting, home search, home viewing, contract signing, financing, settlement, moving and insurance, all of which can be excruciating for buyers with no expertise in these areas. Real estate broker's professional service is much needed.

## 2.2 The Roles of Real Estate Brokers

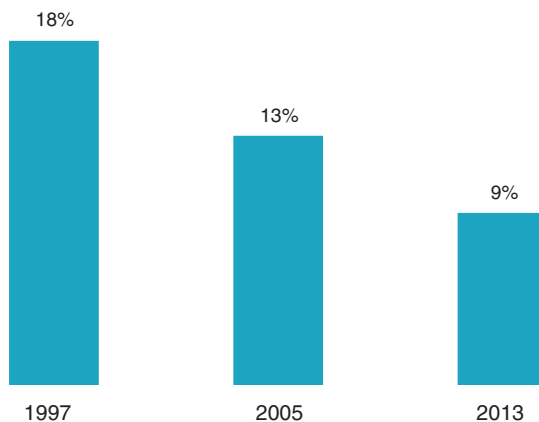
Even in today's America, where the internet is a pervasive presence, nearly 90 % of the real estate transactions are closed with the assistance of real estate agents, with only 9 % by the sellers themselves, down from 18 % in 1997 and 9 % in 2013 (see Fig. 2.2), and the ratio is still decreasing. In the UK, Australia and China, the ratio of broker-assisted transactions is over 80 %.

Why then, do buyers and sellers hire real estate brokers? What essential parts do they play?

### 2.2.1 Why Do People Hire Real Estate Brokers?

Whether a home seller will hire a real estate agent or not depends on the cost of the transaction. In other words, as selling a home is time consuming, he has to

**Fig. 2.2** The decrease of sales by owners in the US.  
*Source* The Authors



weigh the cost of time against the commission he has to pay if he chooses to hire an agent. High-income home sellers and those moving out of the area are more ready to hire real estate agents. For home buyers, on the other hand, their access to local market information and the cost of time are the major concerns. High-income home buyers and those moving into the area are more likely to use agents.

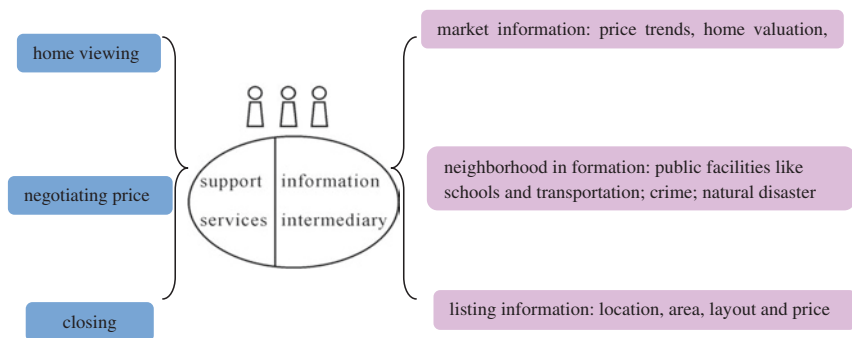
Both sellers and buyers decide to use real estate agents because of their lack of information about the local housing market and their concerns over the cost of time.

### ***2.2.2 What Essential Part Do Real Estate Agents Play?***

Real estate broker's part in a transaction can be divided into two sections.

First, the correlation and dissemination of information. Three kinds of information are disseminated and correlated: information about the property, including the location, floor area, layout and listed price; information about the neighborhood, including locally specific information like the surrounding schools, transportation, public facilities, crime rates and natural disasters; information about the existing home market, including the historical development of the local home prices and the valuation of the property in question.

Second, support services. Support services fall under the following three categories: accompanying buyers on their property viewing tours, negotiating price on behalf of the clients, helping through the procedures after a contract is signed (see Fig. 2.3).



**Fig. 2.3** The job of real estate agents: Information Intermediary + Support Services. *Source* The Authors

## 2.3 The Process of a Real Estate Transaction

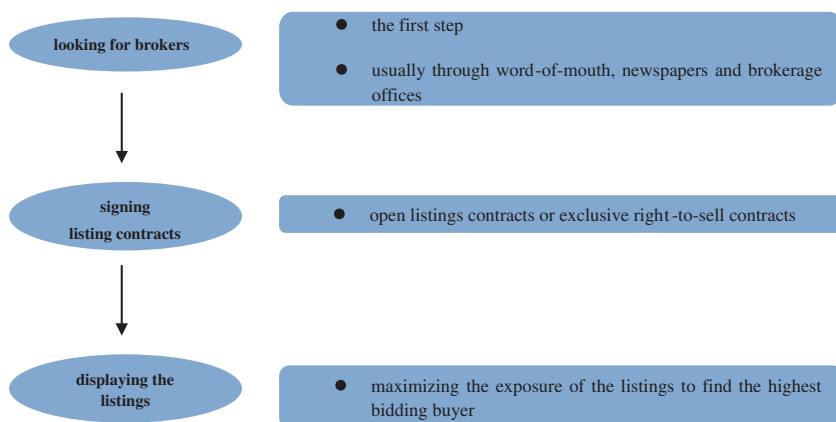
Traditionally, a typical real estate transaction conducted with the help of an agent involves three important steps: choosing a real estate agent, signing listing agreement and marketing. A transaction kicks off at the choice of a real estate broker; next, listing information is obtained and commission rate officially stated according to the type of listing agreement; and then the real estate agent helps buyers and sellers find each other through his marketing effort, which is the crucial step in the process of real estate transactions (see Fig. 2.4).

### 2.3.1 Choosing a Real Estate Broker

The choice of real estate agents is based on a potential client's assessment of the agents, which is made according to two essential criteria. The first is whether they are trustworthy and whether they can act in their client's best interests. The second is whether they are capable enough to effectively market their client's homes and find the highest bids.

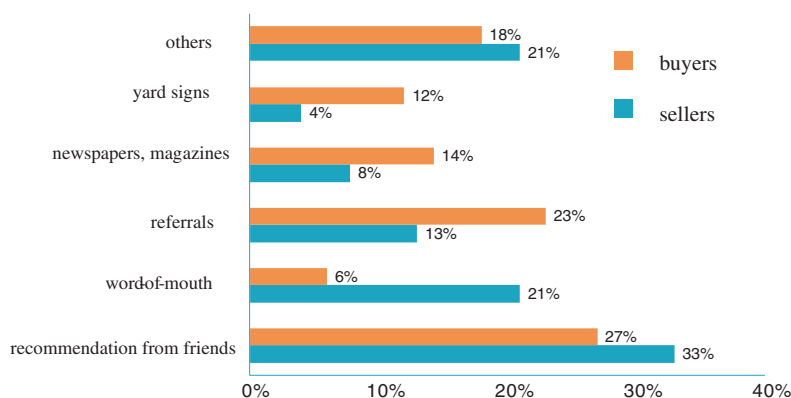
However, the assessment is not an easy job, because the performance of real estate agents is difficult to monitor and evaluate. As people do not buy or sell houses frequently, it is difficult for them to assess real estate broker's service and professionalism based on one or two transactions. Clients cannot assess real estate broker's abilities before a transaction, nor can they objectively appraise the transaction price after one, for they are much less informed than real estate agents. This is a typical case of information asymmetry.

Due to the limited information on the client's part, finding trustworthy agents who can act in their client's best interests is extremely difficult. In the history of US real estate brokerage industry, there were three solutions to this problem: First, a



**Fig. 2.4** Three important steps in a real estate transaction. *Source* The Authors

licensing system for real estate agents was launched in 1913 to establish qualification threshold and ensure service quality. Second, the practice of open listing is adopted. Home sellers can use more than one real estate agent to help sell their homes, while the sellers themselves can also find buyers on their own, without paying commission to the real estate agents. Third, real estate agents build up their reputation through franchising. There were around 15 thousand real estate franchisees in the US in 1979. Fourth, people mostly rely on referrals from friends to find good agents. In 1983, 54 % home sellers found their agents through their friend's referrals (see Fig. 2.5). Finally, real estate agents advertise themselves on newspapers, magazines and TV, which boosts the development of classified ads on print media.



**Fig. 2.5** How buyers and sellers look for real estate agents. *Source* FTC (1983)

### ***2.3.2 Signing Listing Agreement***

Listing information is collected through listing agreements, which usually come in three types.

First, exclusive right-to-sell listing. It gives the listing agent an exclusive right to sell the client's property. Listing contracts of this type stipulate that the seller must pay the commission as long as the listing agent finds a buyer who will agree to the selling terms.

Second, open listing. A home seller uses multiple real estate agents to sell his home, but only the one that finds the buyer and eventually helps close the deal collects the commission. As the seller is allowed to list his house for sale with several agents, the listing agents may not be able to get the commission and have their marketing expenses covered.

The third, exclusive brokerage listing. It contracts one agent to sell the home. Its difference from exclusive right-to-sell listing is that, as with an open listing, no sales commission is owed if the home seller finds a buyer by himself.

Open listing is the most widely used listing contract in the US in the 1920s and the 1930s, in the UK before the 1980s and in today's China. The major drawback of open listing is that it leads to excessive or even unhealthy competition and a rather chaotic practice. Professionalism is thus improbable among agents who do not have control over their commission.

### ***2.3.3 Marketing the Homes for Sale***

Real estate transactions are substantially different from transactions of ordinary commodities in the following ways.

First, every home is different. Houses differ from each other in locations, layouts, neighborhoods and accessible public facilities, making each of them a complicated concentration of information.

Second, every buyer has his own resources, either for rational or emotional reasons. The home he is going to buy has to be not only affordable, but also the most satisfactory.

Consequently, a great market exposure of listed homes is needed to find matches between diversified housing units and buyers with different resources. The selling prices of the homes may vary according to their different market exposure; the greater the exposure, the more likely a good price. Therefore, in order to sell their homes in the shortest time and at the highest possible price, sellers need to maximize their home's visibility to potential buyers. On the other hand, buyers need to maximize their access to listing information, so that they can find affordable as well as the most suitable and the most satisfactory homes in the shortest time.

### ***2.3.4 Information Paradox***

Information products cost a lot to produce but little to duplicate and disseminate. That is why the real estate brokerage industry has always been confronted with information paradox.

On one hand, for the sellers and the real estate brokerage industry at large, widely disseminating the listing information will generate a scale effect and therefore help find potential buyers in the shortest time possible.

On the other hand, the producer of information, for example, a real estate agent or brokerage who has spent time and money accumulating information and advertising the house, may not be able to collect the commission for his previous hard work because once the information is made public, the potential buyer may make a deal with the seller without him, and other real estate agents may take the information for free.

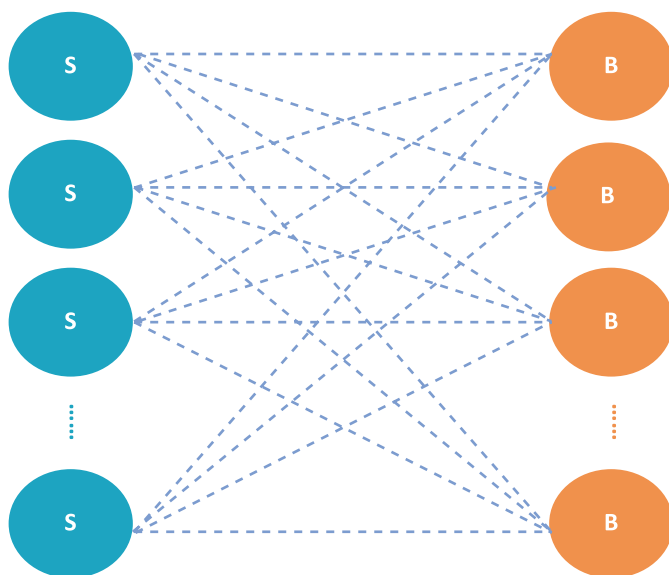
As a result, in order to cover the cost of information, a real estate agent has to limit other broker's access to his listing information. However, this will reduce or even cancel out the chances of finding potential buyers, because one agent or one brokerage has only a limited market share, with access to only part of the market.

## **2.4 Changes in the Pre-internet Real Estate Brokerage Industry in the US Over the Century**

Given the highly decentralized, localized and non-standardized information about housing supply and demand, the evolution of the real estate brokerage industry in the US over the century centers around these essential issues: finding trustworthy real estate agents, signing listing agreements and while endeavoring to solve the so called "information paradox", maximizing the market exposure of the listed homes in order to find the highest bidding buyers.

### ***2.4.1 Accidental Matching of Information Before 1880***

There was virtually no real estate brokerage industry in the US before 1880, and the housing market was dominated by rapidly emerging new homes, with negligible number of transactions of existing homes. No real estate agents ever participated in such transactions, and sellers and buyers find each other by chance, which is a typical C2C model (see Fig. 2.6). The correlation of the buyer information and seller information was very inefficient. There were hardly any professional real estate agents, and their work was done by local lawyers or authorities.



**Fig. 2.6** Accidental matching of information before 1880. *Source* The Authors (*S* for sellers; *B* for buyers)

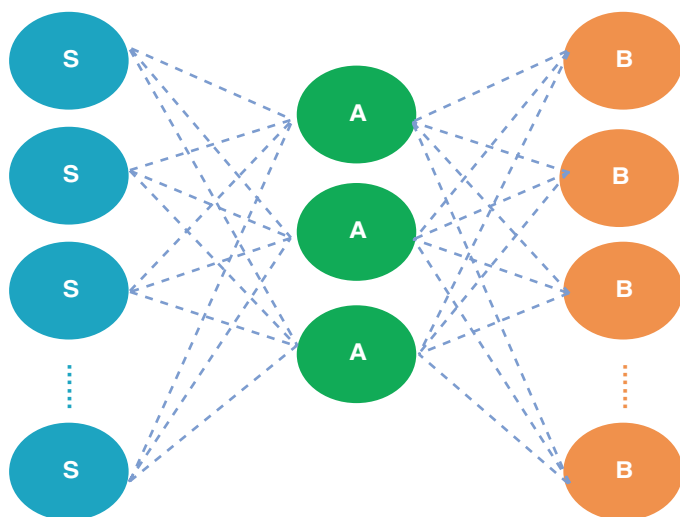
### ***2.4.2 The Appearance of Real Estate Agents and the Dominance of Open Listing Agreement During 1880–1950***

The real estate brokerage industry in the US began after 1880, when existing home sales began to grow in some cities. Open listing was the first type of listing agreement to appear, with its heyday in the 1930s. A home seller may use several, even as many as 20 real estate agents to sell his home (see Fig. 2.7), but only the one that finds the buyer and eventually helps close the deal collects the commission.

The background of the dominance of open listing and its features are as follows.

First, with new homes dominating the housing market, the supply of existing homes fell short of the demand; therefore, listing information was the most essential part of the real estate brokerage industry. Second, sellers could only maintain a very limited market exposure. Listing information could only be visible to part of the market and part of the potential buyers even if 20 real estate agents were doing the job at the same time. Third, as real estate agents worked individually and independently from each other, buyers need to contact each of the real estate agents in order to gather adequate information, which was very inefficient. Fourth, an open listing agreement allows a home seller to use multiple real estate agents to sell his home, but only the one that finds the buyer and eventually helps close the deal collects the commission. The other agents who have spent time and money looking





**Fig. 2.7** The open listing model. *Source* The Authors (A for agents)

for prospective buyers will not be able to get the commission nor have their marketing expenses covered. A market with professional real estate agents is unlikely to take shape under these circumstances.

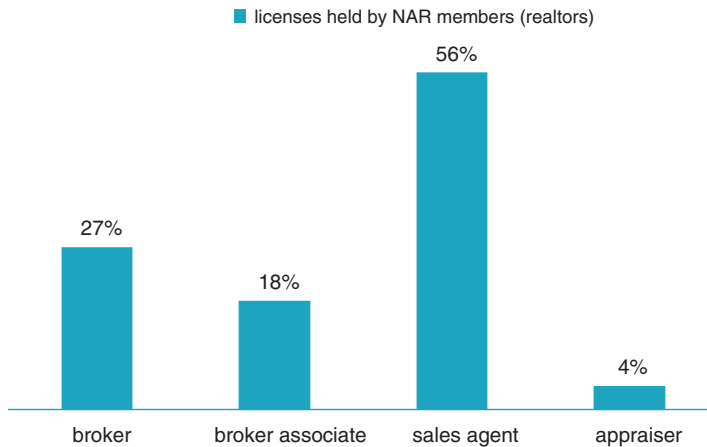
Although an open listing agreement is extremely inefficient, with its protection over the sellers and the small volume of transactions back then, it sustained over a long period and was not replaced by exclusive right-to-sell agreements until 1950.

### ***2.4.3 The Prevalence of Multiple Listing Services From 1950 to 1995***

Multiple listing services have definitely been playing the leading role in the evolution of the real estate brokerage industry in the US. The birth, the growth and finally the boom of Multiple listing services (MLS) overlap the evolution of US real estate brokerage industry. One has to study Multiple listing services first before he can understand the changes of industrial chain in the real estate brokerage industry in the US and the impact of the Internet.

#### **2.4.3.1 What Is an MLS?**

An MLS is a suite of services created by local association of real estate agents and are only accessible to its members, who are required to add all their listings to the service database.



**Fig. 2.8** Members of NAR. *Source* The Authors

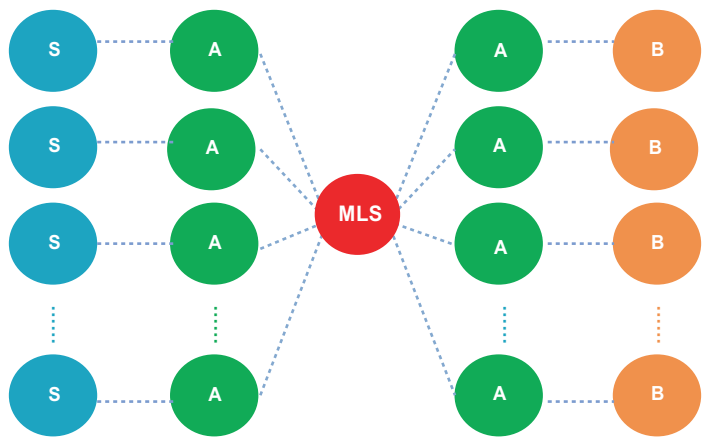
Multiple listing services restrict membership and access to realtors, who are concurrently members of the local, state and national association of realtors. US National Association of Realtors (NAR) has 1.1 million members holding different licenses (see Fig. 2.8). The realtors have passed real estate license exams and are pledged to a code of ethics. NAR and MLSes, so to speak, are “broker’s clubs”, where they observe common codes and enjoy common interests.

As a common database, an MLS accepts listing information from exclusive right-to-sell agreements only. It requires that a member release listing information to the service within 72 h after an exclusive right-to-sell agreement is signed. The listing information includes the location and layout of the property, listed price, term of agreement (usually 90 days), commission rate and commission splits (see Fig. 2.9). A selling agent is supposed to up-to-date change the status of a listing from “active” to “sold” or “rented” after a transaction and input the transaction price in the database.

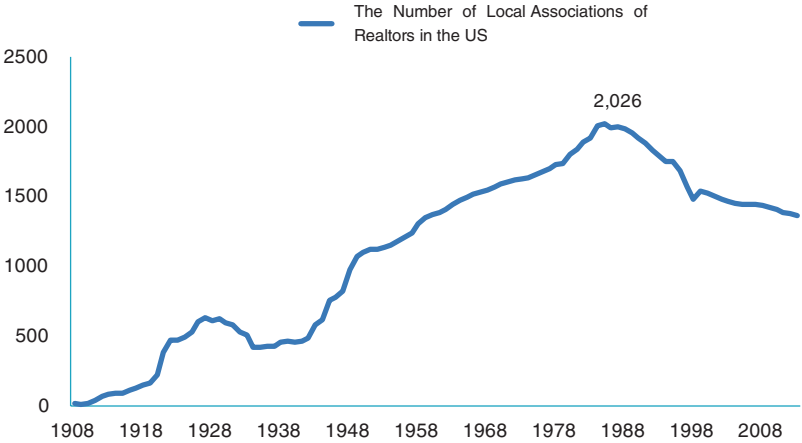
#### 2.4.3.2 How Did Multiple Listing Services Prevail in America?

The first local MLS was created in New York in 1907. However, Multiple listing services had no significant development in the following decades until the outburst of existing home market in the US in 1950, which translated into flourishing Multiple listing services and local associations of realtors. After the 1970s, MLS prevailed in the whole country. Today, there are approximately 900 Multiple listing services created and operated by local associations of realtors in America (Fig. 2.10).

According to statics, although Multiple listing services and local associations of realtors developed rapidly, the growth of MLS membership lagged behind.



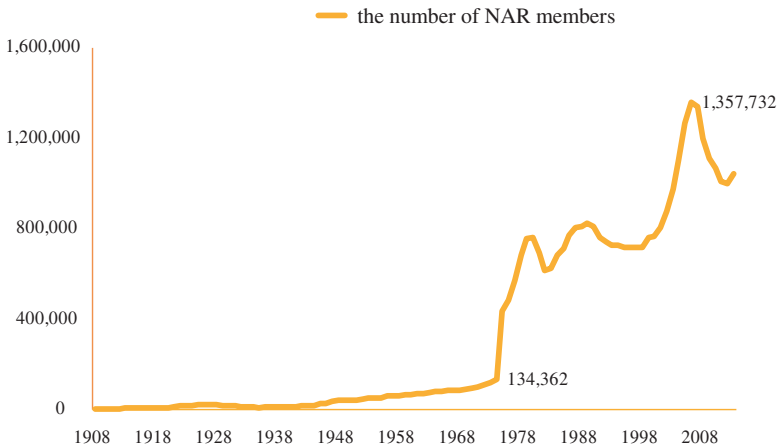
**Fig. 2.9** The distribution of information in MLS and exclusive-right-to-sell model. *Source* The Authors



**Fig. 2.10** The number of local associations of realtors in the US. *Source* NAR

In fact, the MLS membership roster did not soar to 800 thousand until the early 1970s, up from 130 thousand (see Fig. 2.11). There are two underlying reasons.

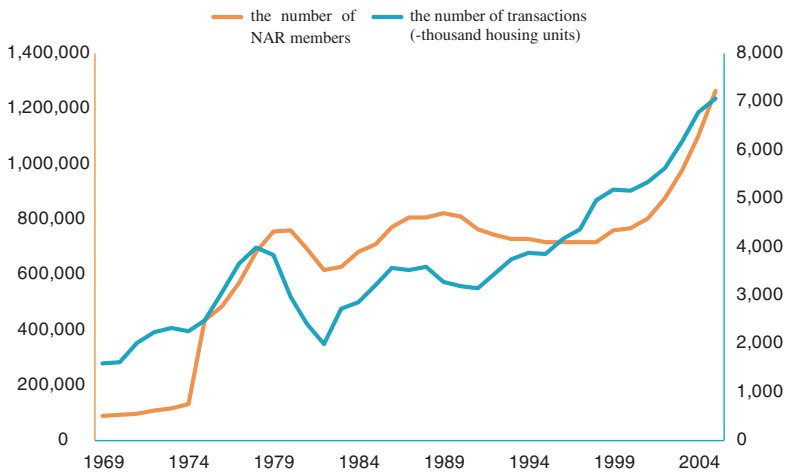
Members clubs are typically characterized with network effects. Joining the club does not have much significant value until the membership roster grows to a certain critical number. Therefore MLS membership needs to grow over a long period of time until it can produce “positive feedback” loop. An MLS is a mutually benefiting platform for its members. “Help me sell my inventory and I’ll help sell yours.” Then the cooperating agents split commission between them. Buying agents will want to join an MLS only when it offers a large enough number of



**Fig. 2.11** The number of NAR members. *Source* NAR

listings. On the other hand, a large enough membership of buying agents will attract more buying agents to share their listings on the MLS, thus resulting in a positive feedback loop.

In 1970s, after the 10 years of booming existing home market in America, the competition for property information was not as intense as before, and getting the inventory sold became broker's major concern, making them more ready to cooperate. Statistics indicate strong correlation between the size of NAR membership and existing home sales after 1970 (see Fig. 2.12).



**Fig. 2.12** The number of NAR members and the number of existing home transactions. *Source* NAR

## 2.5 How Does an MLS Connect the Links in the Industrial Chain of the Real Estate Brokerage Industry?

Multiple listing services reorganized the industrial chain of the real estate brokerage industry in late 1970s, when 92 % agents input their listing information into MLS database. Exclusive right-to-sell agreement completely replaced open listing agreement. The new way of operation and new value spread were established according to the new rules.

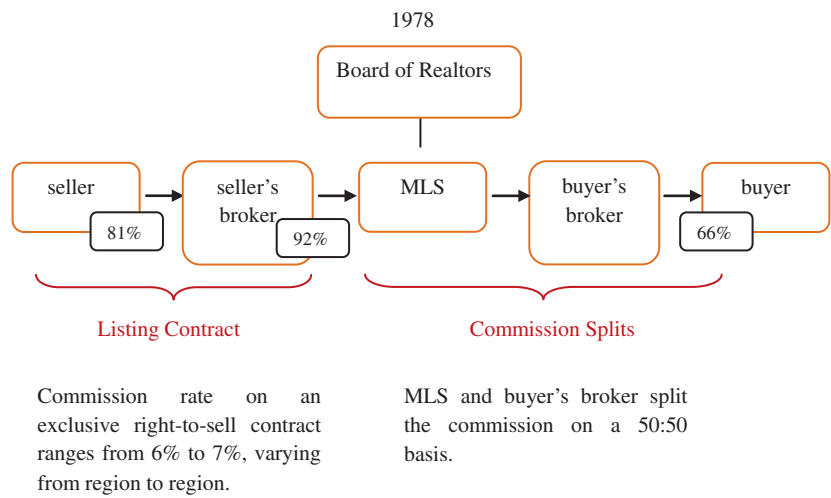
First, the major changes brought about by Multiple listing services are as follows: exclusive right-to-sell agreements have become the dominant type of listing agreement; listing information is displayed on a common database that ensures maximum market exposure; individual agents are gathered on a common information matching platform. Supposing all selling agents release their listings to Multiple listing services for all buying agents to see, then the job of Multiple listing services is to increase the exposure of listed properties by displaying them to a greater number of buying agents while reducing the cost of home search on the buying broker's part. In theory, buyers only need one single buying agent to access all market information.

In this way, each of the “part of the market” that individual agents have access to are connected to form “the whole market”, and a seller or a buyer needs only one agent to disseminate his supply or demand information to the whole market. The faster dissemination and wider exposure of listing information help match buyers and sellers with more precision and efficiency.

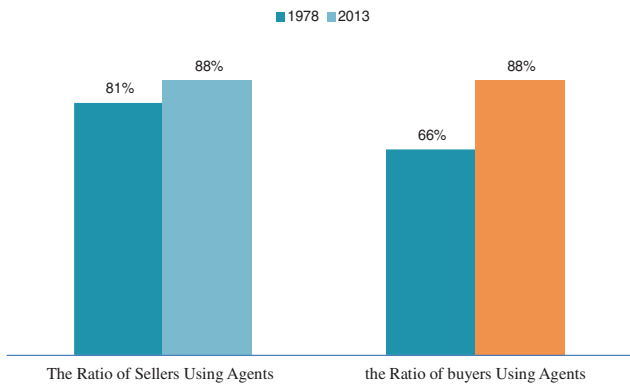
Second, Multiple listing services have established the new rules of the trade and become the “market-makers” that dominate the real estate brokerage industry. Instead of competing with each other as they had used to when they worked by open listing agreements, agents began to cooperate. A typical process of real estate transaction in an MLS system is as follows: A seller hires a selling agent, who feeds his property information into the MLS database. Then a buyer goes to a buying agent, who searches for the matching listing information on the MLS. If he finds a suitable home and helps close the deal, the seller will pay the commission to his agent, who will split the commission with the buying agent (commission split is usually 50/50 unless specified otherwise in the listing agreement, see Fig. 2.13).

In the late 1970s, 81 % of the sellers hired selling agents (the ratio approaching 90 % in 2013), 92 % of whom would share the listing information on an MLS. On the other hand, 66 % of the buyers used buying agents, the ratio being 88 % in 2013 (see Fig. 2.14), who would access the MLS database to find suitable homes.

Third, Multiple listing services changed the commission splits in the real estate brokerage industry. In an MLS, the first commission split is between a buying agent and a selling agent at the rate of 50/50, each getting 3 % of the selling price as the regular commission rate in the US is 6 %. The second split is between a brokerage and its franchise company. A agent or a brokerage in the US usually chooses to franchise with a national or regional brand. The franchisor gets 6 % of



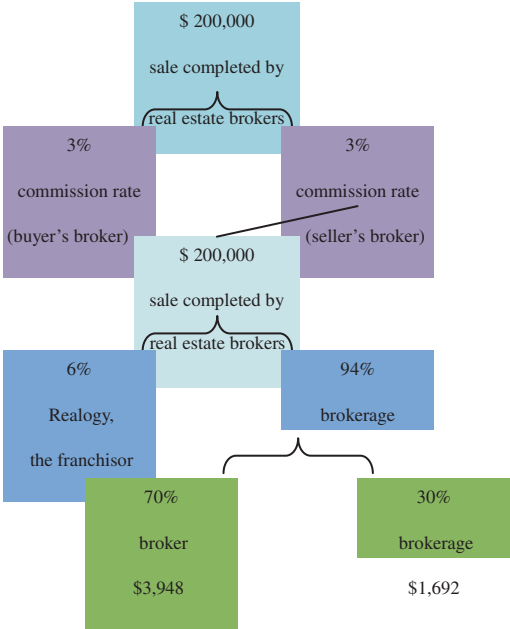
**Fig. 2.13** MLS established the rules of the industry. *Sources* Federal Trade Commission (1983); The Authors



**Fig. 2.14** The ratio of buyers using real estate agents versus the ratio of sellers using real estate agents. *Source* NAR (2014)

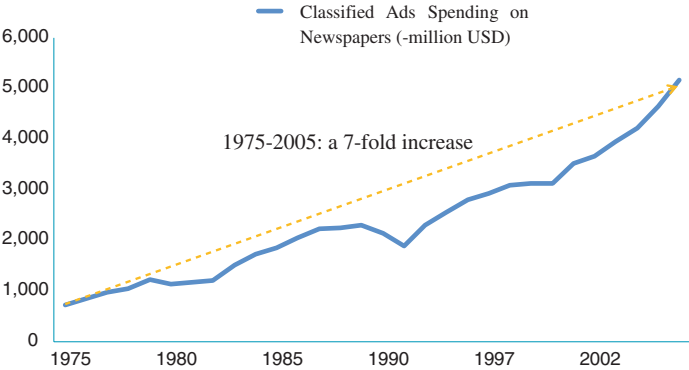
the 3 % and the brokerage gets the rest 94 %. The third split is between a agent and the brokerage he is working with. Since it is the agent who does most of the work, the brokerage does not get much of the commission, usually 10–30 % (see Fig. 2.15) or even lower. The more able and experienced the agent, the less commission split he offers the brokerage. Only inexperienced entrants will give 50 % or more of his commission to the brokerage. This is a dilemma on the part of the brokerage: brokerages must recruit more new agents in order to get more commission, but more new recruits usually means less satisfactory service.

**Fig. 2.15** Commission splits in MLS systems.  
*Source* The Authors

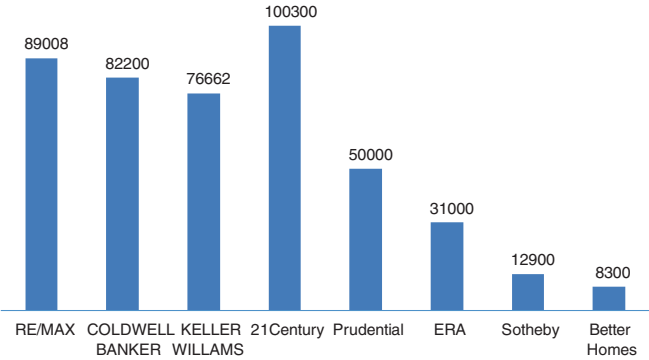


Forth, the thriving Multiple listing services indirectly facilitated the development of franchising companies and increased classified ads on property sales or rentals in print media. As a closed system, an MLS restricts accessibility to its member agents. Buyers or sellers have to contact the agents or read their ads to get listing information and other market information. The purpose of broker's ads, however, is not to disseminate the listing information, but to market himself and attract clients. They pay for the franchising companies for the same reason—to distinguish themselves from other agents by identifying with brand names like “21st Century”. This acts as a screening mechanism for the clients, who are the disadvantaged side of information asymmetry. However, it seems that less able agents, rather than experienced ones, need more of such proofs of their professionalism. Although the benefit of franchising with a well-known brand is open to dispute, it remains a popular choice for many agents over long periods. Many companies grew to be business giants through franchising.

Statistics show that in 2005, real estate classified ad spending on newspapers was 6 times the spending in 1975 (see Fig. 2.16), and that a large number of franchising companies emerged (see Fig. 2.17). 21st Century Real Estate in her prime had over 130 thousand franchised agents, making her the largest franchisor in the world.



**Fig. 2.16** A sixfold increase of real estate classified ads spending on newspapers. *Source* Newspaper association of America



**Fig. 2.17** Franchising companies thriving in the MLS model: the number of real estate agents in each Franchising company. *Source* Realogy yearly report (2013)

**2.6 Much Discussed Issues in an MLS-Dominant Market**

**2.6.1 Smaller Brokerages and Increased Concentration Ratio**

As Multiple listing services prevail, housing market is gradually dominated by medium-sized or small enterprises for the following reasons:

First, in the real estate brokerage industry, business expansion alone does not result in economies of scale. Agents rely heavily on their independent judgment and expertise. One cannot break down a broker’s work and form an automated work flow. Therefore, expansion of a brokerage is nothing more than having more people doing the same job, achieving practically no scale merit.



Second, it is difficult for big brokerages to make quick adjustments to business slowdowns or reduced market demand. On the contrary, small brokerages with small fixed costs can better survive economic cyclical changes.

Third, the real estate brokerage industry has rather low barriers to entry. Only a small amount of capital is needed to open a brokerage. In addition, new brokerages can use the listing information provided by Multiple listing services.

Smaller brokerages are naturally decentralized. A real estate agent usually works within a limited region, because the information about the local market is of the greatest value to him.

The real estate brokerage industry is highly labor-intensive, the fee or commission for the agents being the greatest expense, accounting for 60 % of a brokerage's total income. Brokerages will offer favorable commission splits, 70 % for example, to productive agents. Professional agents are a brokerage's major asset. A brokerage hardly has any assets besides its agents and the brand name. Therefore, in order to study the brokerage industry, one has to examine the motivation of agents and their relationship with Multiple listing services first.

With smaller brokerages comes increased concentration ratio. As the largest franchisor, 21 Century Real Estate expanded rapidly in 1979. Thirty eight percent of the broker-assisted real estate transactions were handled by franchised brokerages, 48 % of which were completed by 21 Century Real Estate. Agents can quickly raise their profiles in the market by franchising with well-known brands, which in return stokes the rapid expansion of franchising companies.

### ***2.6.2 Fixed-Percentage Commission: Reasonable or Unreasonable?***

In the circle of economic studies, it is generally believed that fixed-percentage commission that US brokerage industry generally adopts causes much waste and is inefficient. Local MLS members monopolize the market and adopt a commission rate above market equilibrium. In addition, the easy entry to this industry gives rise to non-price competition, which does not raise the productivity of the brokerage industry, hence the lower economic profits.

Another widely held opinion is that since the cost of selling a property is not correlated with its price, a fixed-percentage commission based on the property's selling price suggests a monopolist's price discrimination.

The opposing opinion is that a fixed commission rate does not necessarily lead to monopoly and lack of price competition. For example, in competition with other agents, a agent will promise his client that he will sell the property in a shorter time and at a higher price, which, according to some economists, is part of the selling proceeds. In this case, the "net commission" the seller pays is fixed commission minus this part of the proceeds. The fixed-percentage commission rate is in fact variable.

Some economists prove with convincing statistics that fixed-percentage commission rate is counter-cyclical in a competitive market. It falls when home prices go up. Although big brokerages sell faster than smaller brokerages, they do not charge extra commission.

The cost of a buyer and his broker's home search will affect home prices, commission rates and commission splits. Multiple listing services reduce the cost of a home selling search for agents and home buying search for homes. If this reduction in cost is taken into account, again, the commission rate is in fact variable.

Some hold that agents do not just match buyers and sellers, and that they facilitate the buyer's consumption of houses. The lowered cost of home search will bring more of such searches and thereby increase buyer's chances of finding a suitable home and the seller's chances of getting their homes sold. As advertisements promote consumption, so does brokerage service.

Another researcher studied the different effects of flat-fee, fixed percentage commission rate and split commission. First, sellers may shorten terms of agreement in order to give agents stronger impetus, as agents will not get the commission if they fail to sell the property before the agreement expires. However, sellers need to spend more time to negotiate with agents to get them sign the agreement, as most agents are not willing to accept such harsh terms. Sellers have to strike a balance between the cost of this negotiation and the benefits from the impetus it may give the agents. Second, if the listing agreement specifies that the first agent to find a buyer collects all the commission, then agents will make the greatest "joint effort" to find a buyer. If the listing agreement specifies that the commission is to be split, then the agents get the greatest "joint profit" for their cooperation. Most selling agents would rather take a smaller split instead of a larger split or even full commission that entails fierce competition. If sellers insist on paying full commission only to the agent who brings the buyer, then selling agents may refuse such an agreement, or refuse to share the listing information. Multiple listing services eliminate the excessive competition between agents and increase the chances of sales when they disseminate the listing information to the whole market. The sellers, while enjoying these benefits, must pay full commission.

### ***2.6.3 Traditional Broker's Boycott Against Nontraditional Brokers***

In the early 1980s, discount agents were participated in only 2 % of the real estate transactions. However, nontraditional business models like discount brokerage service, internet-based brokerages and flat-fee service probably represent the trend in the future real estate brokerage industry.

Traditional agents boycott nontraditional agents in ways including denying their access to traditional broker's listing information. Traditionally, consumers believe that commission rate is set by law and trade rules and is supposed to be the same in every brokerage.

A survey made in 1983 suggests that 34 % of the nontraditional agents admitted that they were boycotted by traditional media (mostly newspapers), who refused to advertise for them because of the joint threat from traditional agents.

Many traditional agents believe that discount is not a sustainable policy and that the regular commission rate traditional agents adopt is a reasonable level for the sustainable development of the industry. In fact, most nontraditional brokerages are new firms. A survey made in 1983 suggests that only 10 % of the 154 nontraditional samples were set up before 1974.

Some traditional agents point out that the interdependence between brokerages makes price competition a vain effort.

Buying agents are usually compensated with a split of the commission paid by sellers, so if a selling agent discounts his commission, the split that goes to the buying agent will be smaller, and he will be reluctant to show homes with discount commission to potential buyers.

The advantage nontraditional agents enjoy is that they rely on advertisements and discounts instead of referrals to acquire selling information, but selling homes remains a difficult task for them, which, sometimes has to be undertaken by home owners themselves.

According to a survey made in 1979, 68 % of the nontraditional agents did not regularly use Multiple listing services, and 75 % of them adopted a fixed commission rate, about 1.6 % of the selling price. Eighty four percent of the non-traditional agents required home owners to manage marketing and home showing themselves after the agents list their homes on an MLS.

Most of the 32 % of the non-traditional agents who used multiple listing services provided full service, with average commission rate at 4.2 %, but they had to cooperate with other agents in order to keep the business coming in the door.

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