The Impact of Brokerage Firm Characteristics on Sales Price Outcomes in High- vs. Low-Income Neighborhoods

Jason Beck
Georgia Southern University, Savannah, Georgia, USA

Abstract

This paper examines the effect of real estate brokerage firm characteristics on home sales outcomes. These firm characteristics include size of the firm, national franchise affiliation, firm activity level, and age of the firm. Several existing previous studies find inconsistent and contradictory effects of these characteristics on eventual sales price and time-on-market.

One goal of this project is to add another data point as to how the selection of a brokerage firm by a home seller impacts the result of a home sale. In addition to this, unlike existing work, this paper also examines the potentially heterogeneous impact of these characteristics over different geographic subareas, with different housing values, within the broader local housing market.

Data used for this project are drawn from fourteen years of single-family home sale transactions in Chatham County, Georgia, USA (2008-2021). This area includes the city of Savannah; population 350,000.

A hedonic pricing model, which controls for observable house characteristics in addition to the variables of interest, is created and estimated. Results suggest that larger, more established, and more active brokerage firms obtain higher final sales prices than smaller, newer, and less active firms. Contrary to existing work, results here suggest that national affiliation has no significant impact. The relative impacts of these brokerage firm characteristics tend to be stronger for homes located in higher-income areas, which generally sell for higher prices.

Finally, this paper looks at the effects of these brokerage characteristics over time and finds evidence that the marginal impacts slightly diminished over the fourteen years of the study.