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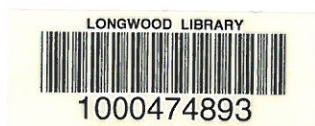
ABSTRACT

Approximately five million homes are sold each year with every seller having similar objectives; to minimize the duration of the marketing period while simultaneously maximizing sales price. Once the decision to sell has been made, individuals are faced with the dilemma of marketing and selling the property themselves or acquiring the services of a real estate professional to assist in the sale of their property. It is logical to speculate that homeowners wishing to acquire the services of a real estate broker or salesperson will desire to select a salesperson that can help achieve the optimization objective of minimizing time on market (TOM) and maximizing sales price. This research examines whether the experience of the listing/selling agent (defined as the number of years an agent has possessed a real estate license) and the experience of the listing/selling firm (defined as the number of years a specific brokerage firm has been in operation) has a significant impact on the TOM.

INTRODUCTION

When the opportunity arises to sell assets, in particular real property, individuals will generally desire to execute the transaction in an expeditious manner. The more rapidly the transaction can be completed, the faster the seller's capital can be invested in future activities. Since many homeowners do not have the time, capability, or aspiration to market and effectively negotiate the sale of their property, the services of a real estate professional is often acquired. The seller's ultimate desire is to sell a home for the highest price in the least amount of time. With this in mind, there exists a multitude of factors contributing to the success of the list and sell process. The seller should be aware of numerous questions and answers prior to choosing a listing firm and salesperson. These answers could potentially be the difference between days, months, and even years in TOM of the listed property.

There are many tasks the homeowner can carry out that will likely diminish the time it will take for the property to sell. Most real estate professionals provide a list of suggestions to assist in accelerating the sale of the property such as cleaning, painting and general repairs. Kenneling the family pet, placing excess items in storage or even vacating the property while it is being shown for sale are ideas that may not be apparent to the first-time home seller. However, given the homeowner has made all reasonable efforts to ensure the property's prompt sale, are there other controllable factors beyond the control of the homeowner that affect the TOM?



With over two million licensed real estate salespersons nationwide (<http://finance.realtor.com/Finance/SellersGuide/Step01.asp?gate=realtor&poe=realtor>), the selection of a salesperson becomes an unwieldy process at best. Which salesperson should the typical homeowner entrust to list, market, and optimistically sell their most valuable asset? Many times real estate professionals are chosen based on recommendations, yard signs, or newspaper advertisements. However, are there factors that might allow the homeowner to differentiate one real estate professional's ability to minimize TOM over another? Since real estate licenses are administered by state governments, with all licensees obtaining similar educational requirements and being governed by the same laws and code of professional ethics, is there any reason to expect any given salesperson's performance to be substantially different from another?

Real estate professionals are typically associated with a specific brokerage firm in which they list and sell real estate. One might speculate a franchised firm could recruit more experienced salespersons. Franchised firms may have additional resources providing them with a superior marketing position over non-franchised firms. However, Yang and Yavas (1995) suggests that the use of the Multiple Listing Service (MLS) may diminish any potential advantages. With this in mind, are experienced real estate agents and brokerage firms capable of selling a property at a faster rate than less experienced agents and firms?

LITERATURE REVIEW

Numerous studies have examined the factors that affect TOM of residential real estate which include size of brokerage firm, list and sell price, number of listings and the atypicality of the property to just name a few. While the literature is rich with results, they are inconsistent in many instances. Yang and Yavas (1995) findings suggest that properties listed with a successful listing agent did lower TOM, while Jud, Seaks and Winkler (1996) find no such significant relationship to exist.

Haurin (1988), Larsen and Park (1989) and Sirmans, Turnbull and Benjamin (1991) find that larger brokerage firms are more successful in reducing TOM than their smaller competitors. Conversely, Yang and Yavas (1995) find that brokerage firm size does not have an impact on TOM, while Robinson and Waller (2005) find evidence that smaller firms may reduce TOM when homes are atypical.

Jud, Seaks and Winkler (1996) find that having properties listed and sold by the same agent/broker does not reduce TOM and further conclude that no agent or firm is able to reduce a property's TOM. Yang and Yavas (1995) find; as agents that focus primarily on listing properties increase the number of listings per that agent, TOM increases.

Kang and Gardner (1989) suggest overpriced homes take longer time to sell, regardless of general market conditions. Yavas and Yang (1995) determine an increase in listing price on lower-priced and higher-priced homes have no significant impact on TOM; yet an increase in listing price for a mid-priced home results in a direct increase in TOM. Anglin, Rutherford, and Springer (2003) determine TOM is positively related to any increases in list price.

Kalra and Chan (1994), and Haurin (1988) both report TOM of a home is subject to strong seasonal effects. Waller and Robertson (2005) determine that lake properties listed in the spring and summer seasons can be sold faster than properties listed in the fall and winter seasons. However, findings of Yang and Yavas (1995) determine homes listed in the winter season will actually reduce TOM.

Some differentiating points in the above studies as compared to this study include that of time frame and size of data set. Sirmans, Turnbull and Benjamin (1991) findings are based on a southern metropolitan area and the data covers the time period 1985-1987. Yavas and Yang (1995) and Yang and Yavas (1995) utilizes a data set of 270 and 388 properties respectively and in both situations are drawn from the same college town with a population of approximately 45,000 in

1991. Haurin's (1988) data set consists of only 219 observations drawn from a metropolitan area covering the time period 1976-1977. Although Robinson and Waller's (2005) findings are based on a large and current data set (4,572 properties from 1995–2005), they strongly focus on atypical "lake" properties. In each of the above studies, the findings may be market specific or not adequately explored due to small data sets. None of the above mentioned studies have focused primarily on typical residential properties in a rural setting.

METHODOLOGY

To thoroughly study some of the questions posited above, the following hypotheses are examined.

Hypotheses:

- H1: An increase in a listing agent's experience will reduce time on market.
- H2: An increase in a listing firm's experience will reduce time on market.
- H3: An increase in a selling agent's experience will reduce time on market.
- H4: An increase in a selling firm's experience will reduce time on market.
- H5: Listing firms that are franchised will reduce time on market.
- H6: Selling firms that are franchised will reduce time on market.
- H7: Male listing agents will average listing properties above sales prices more often than their female counterparts.

To test the above hypotheses, regression analyses and analysis of variance (ANOVA) techniques were employed.

THE DATA

The data used to test the above hypotheses is from a rural area in Southwest Virginia. The property specific data, as well as listing and selling firms for this research, were collected via a multiple listing service providing coverage of the area starting in August 2002 and ending in August 2005. The collection of agent and firm specific information was obtained using a government website (<http://www.state.va.us/dpor/index.html>). All remaining agent and brokerage firm information was collected through individual brokerage firm websites and actual contact with firms. The original data set consisted of 722 properties. However, due to incomplete data, 13 observations were eliminated leaving a data set of 709 observations used in the analyses. A total of 51 variables were used in the study, which included individual agent characteristics, brokerage firm characteristics, and economic variables (table 1).

The 709 properties in the study spent an average of 87 days on the market (TOM), with a standard deviation of nearly 96 days. This suggests that the average property spent just under three months on the market before being sold. However, the large standard deviation of over 95 days, along with a specific home having a maximum of 603 days on the market, might suggest that the average is not necessarily indicative of actual TOM for a given home. The average home in the

data set was 15.9 years old with 1972 square feet and composed of 2.89 bedrooms and 2.23 bathrooms. The average list price was \$239,437 with the average sell price as \$233,046.

Table 1: Descriptive Statistics of Selected Variables

	Mean	Std. Deviation	Minimum	Maximum
TOM	87.20	95.765	1	603
B ROOM	2.89	.761	1	8
F BATH	2.23	.588	1	5
SQ FT	1972.96	780.539	437	6800
ACR	2.97	7.023	0	75
AGE OF HOME	15.90	17.179	1	206
LIST FED RATE	1.4545	.57317	1.00	3.50
SELL FED RATE	1.5934	.69463	1.00	3.50
LIST PRICE	239437.12	60538.460	147500	439500
SELL PRICE	233046.20	59631.822	150000	596500
DIFF L-S	6390.92	16047.685	-267500	100862
LIST AGENT M/F	.41	.493	0	1
LIST AGENT YRS EXP	9.96	7.009	1	28
# OF HOMES LISTED BY LA	13.30	20.187	1	71
LIST FIRM YRS CERT	13.84	9.822	1	95
# AGENTS AT LIST FIRM	18.25	12.042	1	41
LIST FRANCHISED	.48	.500	0	1
SELL AGENT M/F	.46	.499	0	1
SELL YEARS EXP	9.87	7.285	1	38
# OF HOMES SOLD BY SA	7.65	12.234	1	50
SELL FIRM YRS CERT	14.05	9.725	1	95
# AGENTS AT SELL FIRM	17.27	11.237	1	41
SELL FRANCHISED	.49	.500	0	1
LIST=SELL AGENT	.28	.448	0	1
LIST=SELL FIRM	.43	.495	0	1
LIST SPRING	.25	.435	0	1
LIST SUMMER	.24	.425	0	1
LIST FALL	.23	.420	0	1
LIST WINTER	.28	.451	0	1
SELL SPRING	.29	.452	0	1
SELL SUMMER	.25	.431	0	1
SELL FALL	.22	.416	0	1
SELL WINTER	.24	.430	0	1
2STORY	.07	.263	0	1
CONDO	.19	.390	0	1
MANF	.01	.092	0	1
MOBILE	.01	.112	0	1
RANCH	.35	.476	0	1
TOWNHSE	.00	.038	0	1

There are a total of 378 different salespersons and 73 different brokerage firms represented in the data set. Forty-one percent of listing agents in the sample were male with the remaining 59% female. The average listing agent has almost 10 years experience, with an average number of listings of 13.3 homes. The listing brokerage firm has an average of 18.25 agents each averaging 13.84 years experience. The average selling agent's experience is almost 10 years, with an average of 7.65 homes being sold during the specific time frame. The selling brokerage firm has an average of 17.27 agents each averaging 14.05 years experience. Twenty-five of the 73 firms were franchised representing approximately 34% of the firms operating in the area.

Interestingly enough, the percent of properties listed only varied slightly from 23% of properties listed in the fall to 28% listed in winter, while 22% of properties were sold in fall as compared to 29% sold in spring.

RESULTS

To examine whether the listing agent's experience is a significant indicator of reduced TOM, we examine the regression results shown in table 2. The estimated coefficient for the listing agent's experience is negative (-0.299) as predicted; however it is not statistically significant at conventional levels. Therefore we are unable to support H1 and cannot conclude that a listing agent's experience will significantly lower TOM. Similarly, the listing brokerage firm's experience is negative but not significant and therefore cannot conclude that the listing firm's experience will lower TOM.

Table 2: Regression Results

			F	Sig.
			6.697	.000
	B	Std. Error	t	Sig.
(Constant)	121.305	21.939	5.529	.000
SQ FT	.013	.005	2.612	.009
LIST FED RATE	-29.848	6.117	-4.879	.000
DIFF L-S	.001	.000	3.592	.000
LIST AGENT M/F	-3.025	7.713	-.392	.695
LIST AGENT YRS EXP	-.299	.532	-.563	.574
# OF HOMES LISTED BY LA	.286	.216	1.322	.187
LIST FIRM YRS CERT	-.149	.415	-.359	.719
# AGENTS AT LIST FIRM	.492	.338	1.457	.146
LIST FRANCHISED	-1.651	8.669	-.190	.849
SELL AGENT M/F	2.658	7.405	.359	.720
SELL YEARS EXP	-1.157	.498	-2.323	.020
# OF HOMES SOLD BY SA	-.180	.355	-.508	.612
SELL FIRM YRS CERT	-.291	.398	-.732	.465
# AGENTS AT SELL FIRM	-.007	.364	-.020	.984
SELL FRANCHISED	-13.119	8.615	-1.523	.128

LIST=SELL AGENT	-10.376	11.956	-.868	.386
LIST=SELL FIRM	-3.275	10.789	-.304	.762
LIST SUMMER	31.622	10.323	3.063	.002
LIST FALL	43.049	11.110	3.875	.000
LIST WINTER	7.032	9.677	.727	.468
SELL SUMMER	-4.698	9.950	-.472	.637
SELL FALL	-19.714	11.131	-1.771	.077
SELL WINTER	-2.199	9.842	-.223	.823
CONDO	-61.782	11.169	-5.531	.000
RANCH	-7.552	7.579	-.996	.319

We do find support for H3, that the experience of the selling agent will reduce TOM. The estimated coefficient of (-1.157) is significant and indicates that for every year of experience by the selling agent, TOM will be reduced by 1.157 days. For example, a real estate agent with 20 years experience should lower a property's TOM by 23 days (20*1.157). Although the estimated coefficient is negative for the selling firm, it is not significant and therefore does not support H4. The coefficients for the franchised listing firm and franchised selling firm are both negative, however are not significant, and consequently H5 and H6 cannot be supported.

The difference between the list price and selling price (DIFF L-S) (table 2) indicates this being a significant factor in determining TOM. Since most sellers are not astute in current real estate market and economic conditions, they may rely on the advice of their listing agent. A competitive market analysis (CMA), which is provided by the listing agent, is often relied upon by the seller. To examine whether male listing agents are more aggressive in their value determination (CMA) for property listing, a difference in means were examined to see if a significant difference between male and female listing agents exists. A test in the difference of means (table 3) indicates that there is a significant difference between the male and female listing agents. As shown in table 3, females listed 416 of the 709 properties in the data set with an average listing premium of \$5,479. Comparably, male listing agents listed 293 of the properties with an average listing premium of \$7,390. These findings suggest that male listing agents tend to have an above average listing price relative to female listing agents.

Table 3: List Price – Sales Price

	N	Mean
Female	416	5479.43
Male	293	7685.04
Total	709	6390.92

*significant at .10

Other findings of interest include firm size being non-significant for neither the listing nor selling firm. This supports the findings of Yang and Yavas (1995) that size of listing firm does not have an impact on TOM; yet contradicts the findings of Sirmans, Turnbull and Benjamin (1991) and Haurin (1988) and Larsen and Park (1991). Despite the fact that 59% of the listing agents in the data set were male, compared to 41% female, there is no significant difference in terms of TOM. Furthermore, the estimated coefficient for “number of agent listings” by the listing agent is positive, indicating that increasing the number of listings will increase TOM, yet it is not significant

at conventional levels. This does lend support to the findings of Yang and Yavas (1995) that an increase in the number of listings will increase TOM.

While 19% of properties in the data set are condominiums, the estimated coefficient for this variable is negative and statistically significant. The estimated coefficient for condominiums of (-61.782) indicates that a condominium will have considerably less TOM than other property types. Furthermore, the Fed Funds Rate at listing was significant, but unexpectedly negative (-29.848), indicating for every one percent increase in the Fed funds rates, TOM should decrease by almost 30 days. The only explanation the authors can offer is that homebuyers anticipated a further increase in interest rates in the future and therefore wished to complete their transactions as quickly as possible. The seasonality effects on TOM present interesting conclusions. As assumed, properties listed in the fall season increased TOM by approximately 43 days. However, unexpectedly properties listed in the summer season increased TOM by approximately 31 days.

CONCLUSIONS

The sell of one's home takes careful time and consideration and the seller must reflect upon each variable and factor that might coincide or conflict with the marketability of the property. The ultimate goal is to sell the property for the highest price with the lowest TOM. For most, the first step in selling a home is to find the right salesperson and brokerage firm in which to list their property.

With there being an endless pool of realtors and firms available, the seller would desire to know any potential important information that might influence the listing decision process prior to listing with a particular agent or firm. This paper has provided some empirical results that may be of importance to the seller before making these decisions. Although, the sign of the coefficient for the listing agent's experience is negative it is not significant and therefore we cannot conclude that the experience of the listing agent will lower TOM. However, the selling agents experience is significant and provides evidence that a more experienced agent may lower TOM. We find no evidence to support that franchised firms have the ability to significantly reduce TOM. One final consideration that is noteworthy is the difference in the list price and sales price and the appearance that male listing agents tend to list properties above the average normal market list price. These findings lend support to those of Kang and Gardner (1989) which find that overpriced homes take longer to sell despite market conditions.

Based on the results, a seller may decide to choose a more experienced agent with expectations of a lower TOM. However, it is important to remember there is no guarantee that a particular agent can reduce TOM.

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