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SPREAD SHEET: SANETTE TANAKA

HOW A DUAL AGENT AFFECTS SALE PRICES

Having an agent represent both buyer and seller can either raise or reduce the final selling price, depending on the timing of the transaction



Would you trust a dual agent? Dual agency occurs when the same brokerage firm—and sometimes the same real-estate agent—represents both the buyer and the seller in the same transaction. Dual agency can increase or reduce a house's sale price, depending on the timing, says Bennie Waller, professor of finance and real estate at Longwood University in Farmville, Va., who studied dual agency in home sales. Dual-agency sales that occur in the first 30 days of the listing contract sell for roughly an 18% premium because agents may be able to more efficiently match the property with the right buyer if they search within their own network, Prof. Waller says. Over time, that information advantage diminishes as other agents learn more about the seller and property, says Raymond Brastow, professor of economics at Longwood University,

who co-wrote the study. By the end of the listing contract, the agent's priority is getting the property sold before the contract expires. Dual-agency sales during the last 30 days of the listing contract sell for roughly a 6% discount, or \$9,300 less. Overall, a dual-agency representation reduces sale prices by about 1.7%, according to the study. Real-estate agents have a lot to gain from dual agency. The seller typically pays 5% to 6% of the sale price as commission, which is split between the buyer's agent and seller's agent. Thus, agents have an incentive to represent both sides of the transaction and earn the entire commission, Prof. Waller says. That may also mean an agent might encourage sellers to accept a lower price for a home to get the double commission, says Prof. Brastow. "You have the interest of the buyer, the seller and the agent, and it's unlikely all three will coincide, especially in respect to price. They can't," he adds. Prof. Waller and Prof. Brastow examined 12,549 transactions between

Double Duty

Researchers analyzed house sales in which a broker represented buyer and seller. The study found:

- Dual-agency sales in the first 30 days of a listing contract sell for a premium of about 18%, or \$28,800 more for the average house.
- Dual-agency sales in the last 30 days of a listing contract sell at about a 6% discount, or \$9,300 less.
- Overall, dual agency reduces home price by about 1.7%.
- Dual-agency sales occur 55.1% more quickly than non-dual agency sales.
- About 32% of all transactions are dual-agency transactions.

Source: Journal of Real Estate Research, June 2013



Goran Rukavina/Town Residential

TWOFER Evan Rosenfeld was a dual agent for a West End Avenue home in Manhattan.

January 2000 and June 2009 in a central Virginia multiple-listing service. They analyzed which transactions were dual agency or non-dual agency and looked at effects on sale price and time on the market. The study, "Dual Agency Representation: Incentive Conflicts or Efficiencies?" was published in the Journal of Real Estate Research in June 2013. Many states allow true dual-agency relationships, in which the agent represents, and has a fiduciary duty to, both the buyer and seller. Some states, however, have modified versions of dual agency, such as letting

transaction agents act only as deal facilitators, says Ilona Bray, real-estate editor for Nolo, a publisher of consumer legal guides in Berkeley, Calif. In general, Ms. Bray warns against dual agency. "A buyer and a seller are in very different parts of the transactions. Their interests are different," he says. But some agents say dual agency is more efficient and effective. Sometimes they will accept a lower commission from the seller. Also, both sides benefit from having one point of contact, says Jud Henderson of Callaway Henderson Sotheby's International Realty in Princeton, N.J., who was a dual agent in three transactions last year. "It can work to disarm the process, cut out the politics and just focus on the terms of the transaction," he says. Last May, he received two offers for a \$1.995 million listing from one of his buyers and another agent's buyer. The seller ended up selling the property for just under the asking price to Mr. Henderson's buyer.

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