

# Information technologies reshaping the real estate landscape in unexpected ways

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Computers and the Internet have been billed as enabling new ways of doing business, but in the residential real estate industry, people's expanded access to information hasn't rendered the real estate agent a relic, says a Penn State researcher.

"The expectation was that real estate agents would go away once consumers could see all the home listing information, but the number of real estate agents has increased, not decreased, in the last 10 years," says Steve Sawyer, associate professor in the School of Information Sciences and Technology (IST).

So has the number of people involved in real-estate transactions--contrary to the assumption that information technologies would streamline and simplify the transaction process. Instead, the amount of relevant information about real estate has exploded, requiring more people and more specialized professionals to be involved in supporting, understanding and processing that information.

Those insights into the changes in the real estate industry due to the use of computing are discussed in a research article, "Redefining Access: Uses and Roles of Information and Communication Technologies in the U.S. Residential Real Estate Industry from 1995 to 2005," published recently in the *Journal of Information Technology*.

Sawyer, lead author, also discussed the findings at the American Antitrust Institute's Symposium on Competition in Residential Real

Estate Brokerage Industry in November in Washington, D.C.

The other authors are Rolf T. Wigand, the Maulden-Entergy Chair and Distinguished Professor of Information Science and Management at the University of Arkansas, Little Rock, and Kevin Crowston, associate professor in the School of Information Studies, Syracuse University.

The researchers' intent was to determine whether computing could transform industries as claimed in the rhetoric surrounding the information revolution. They chose to examine the effects of information technologies on the residential real estate industry for two reasons: 1) because the rate of IT adoption by real estate agents was exponential between 1995 and 2005 with only 2 percent using computers in 1995 and 97 percent using IT in 2005; and 2) because the housing industry is both a fundamental part of and one of the fastest-growing sectors in the national economy.

Drawing on interviews, surveys, data from agencies including the federal government and the National Association of Realtors and academic work, the researchers analyzed what real estate agents do; how computing has changed what they do; and how legal, political and economic forces are influencing the new processes.

According to the researchers, the introduction and adoption of information and communication technologies (ICT) clearly has provided access to information--such as listings, mortgage rates, fees and neighborhood demographics--previously unavailable to consumers. That increase in the quantity of available information has led to better quality information which, in turn, has led to better-informed consumers. Armed with more information, consumers have demanded more specialized services as well as better service from real estate agents, Sawyer said.

But these are evolutionary -- not revolutionary--changes, he said.

"The transformative nature of technology is not from increases in efficiency or effectiveness," Sawyer said. "The transformations are embedded in second-level effects--that is, the unimagined and unintended innovations that give rise to changes in organizations, markets and social interactions."

In the real estate industry, these innovations include the use of virtual tours of homes and neighborhoods which may make obsolete actual visits to properties, and online bidding or online transactions between sellers and buyers. Neither of these was foreseen when real estate agents took up using computers and the Internet, but they are resulting in additional specializations for real estate professionals as well as creating new business models for transactions.

The availability of additional information on a nationwide rather than just a local basis also has resulted in savings for consumers. Not only has the transparency of information and data enabled consumers to find and take advantage of lower interest rates, but national competition has reduced real estate agent commissions, the researchers said.

While the researchers argue such second-level effects occur in any industry that adopts computing and Internet technology, they have no crystal ball to predict the changes.

"At this time, all we have are hints of the innovations," Sawyer said. "Agents and consumers are experimenting with new ways of engaging one another, consummating the transaction and sharing information."

Source: Penn State

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