Mormon + Mormon = Higher home price

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A unique study that combined real estate transaction data and Mormon congregation boundaries in Utah found home sellers made an average of about $4,000 more when they used a real estate agent from the same church congregation.

The study, by Timothy Gubler, an assistant professor of management at the University of California, Riverside's School of Business Administration, also found the $4,000 increase occurred without significantly increasing the amount of time the home was on the market, or decreasing its probability of sale.

"This is a win-win for sellers and listing agents," said Gubler, who started working at UC Riverside in July and did much of this research as a Ph.D. student at Washington University in St. Louis. "Their shared social affiliation creates benefits for both sides. Increased prices benefit listing agents, their brokerages, and sellers."

Gubler also found that agents exerted more marketing effort when listing for social affiliates. This suggests affiliations can lead to a reduction in what researchers have called "moral hazards" in the real estate industry.

As an example, Gubler cites a 2008 paper by Steven D. Levitt and Chad Syverson, both economists at the University of Chicago, which was featured in the book Freakonomics that Levitt co-authored. They found that real estate agents often underprice homes to quickly turn inventory because the financial advantage of selling a home quickly typically outweighs the added commission they could receive by pricing the homes higher and waiting longer for them to sell.

Gubler outlines his findings in a paper, "Leveraging Social Capital: How Transacting with Socially-Affiliated Clients Impacts Expert and Firm Performance." He recently submitted this paper for journal review.

In August, the paper won the 2015 Business Policy and Strategy Division Best Doctoral Student paper award at the Academy of Management Annual Meetings in Vancouver.

He was also a finalist for the best paper award in the strategic human capital interest group at 35th Strategic Management Society (SMS) Annual International Conference, which was held Oct. 3 to 6 in Denver. He also presented the paper at the conference.

The paper adds to a growing literature on how employees add value to organizations, and how organizations can improve performance through employees. Gubler focused on social affiliations between agents and home sellers in real estate, but the impact of affiliations could be seen in many other industries ranging from financial services to health care.

In conducting the research, Gubler paired transactional real estate data from the Wasatch Front Regional Multiple Listing Service in Utah with data on religious congregation boundaries in Utah County, Utah from 1998 to 2014. Gubler is originally from Utah County, where his family owned an electrical contracting business.

In Utah County nearly 90 percent of the approximately half-million residents report belonging to the Church of Jesus Christ of Latter-day Saints. The church geographically assigns each home in the county to a congregation, which heavily influences social interactions.

Gubler collected a panel of congregation boundaries as well as home addresses for real estate listing agents and the homes being sold to identify listings where agents and home sellers shared a congregation affiliation. He ended up with a data set of 40,838 transactions, approximately 10 percent of which used a church affiliation to sell the home.

Among his findings:

- Agents sell homes for 2 percent more when listing for affiliates.
- Agents are 17 percent more likely to act as dual agents, meaning they represent the buyer and seller, when they list for people with a shared congregation affiliation.
- On average, those dual agent arrangements result in a $6,017, or about 50 percent, increase in commission for the agents.
- A 10 percent increase in yearly sales with a shared congregational affiliation increases brokerage revenues where the agent works by about 2 percent.

"As consumers, we often rely on social relationships from clubs, religious groups, or other organizations when choosing service professionals," Gubler said. "These findings show that organizations really need to leverage affiliations between their employees and clients."

While the paper suggests homebuyers pay more for these homes, Gubler does find that the sale price premium from affiliations nearly disappears when homebuyers project financial need. This suggests that listing agents don't sell affiliate homes at higher prices when buyers have financial need. He also finds the price premium decreases in dual agency transactions. Gubler plans to examine the buyer side relationships further in future research.

More information: papers.ssrn.com/sol3/papers.cf … ?abstract_id=2638562

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