Center for Advanced Human Resource Studies

CAHRS / Cornell University
187 Ives Hall
Ithaca, NY 14853-3901 USA
Tel. 607 255-9358
www.ilr.cornell.edu/CAHRS/

WORKING PAPER SERIES

The Effect of Friendship on Decisions: Field Studies of Real Estate Transactions

Jennifer J. Halpern

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Field Studies of Real Estate Transactions

Jennifer J. Halpern
Center for Advanced Human Resource Studies
School of Industrial and Labor Relations
Cornell University
Ithaca, NY 14853-3901

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ABSTRACT

A field study of real estate agents' transactions demonstrates that business friendship affects the negotiation process and the outcome of transactions more for agents with 10 or more years of experience in real estate brokerage than for less experienced agents. Newer agents rely more on friendly relations and on impression management techniques to do well in a transaction, while the more experienced agents consider genuine business friendship and its norms useful for facilitating transactions. Different *scripts* for friendship may explain the consistency within each of the two groups.

I. Introduction

Real estate brokerage historically has been based on interpersonal relationships. However, the literature has offered little consideration of how those relationships may affect real estate transactions. The role of relationships was most likely neglected because it is difficult to study. Effects of relationships are particularly difficult to examine because they are only one among numerous other contingencies of the sale that also affect the outcome variable of closing price.

Relationships between agents become important when we consider the *process* of the transaction. The agents and especially the clients remember the process of the negotiation, as well as the closing price. A smooth process can increase the probability that the clients will recommend the agent; a rough one may guarantee that the agent won't get that client's repeat business.

This interview-based study investigated the effect of friendship on the process and outcomes (other than selling price) of real estate transactions in Berkeley, California. An outline of the hypotheses used in this study is followed by a description of the Berkeley real estate market and the methods used.

IA. A Model of how Friendship May Exert it's Effects

Friendship is a multi-faceted and ill-defined concept (cf. Fischer, 1982; Krackhardt, 1990). The term "friendship" tends to be used casually (Fischer, 1982). We use the term for social, intimate friends, and for the people we meet on the job with whom we have what are technically termed "friendly relations" (Kurth, 1970). We can think of relationships as ranging from unacquainted to intimate; interactions with business "friends" (people with whom we have been acquainted for some time, and who we like but with whom we are not intimate) constitute the vast majority of our interactions.

Friends' interactions may be driven by a cognitive "script" for dealing with friends during personal business transactions. A script is a cognitive structure, incorporating roles and the ordering of events, which helps us make inferences about a situation and guides our interaction strategies (Fiske & Taylor, 1984; Schank & Abelson, 1977). The existence of scripts can only be inferred. A "friendship script" contains the individual's characterizations of a friend; his or her expectations of how a friend should act toward him or her; and a set of behavioral guidelines appropriate in the context of the specific friendship.

Laboratory-based research on the effects of friendship on transactions suggested the basis for the hypotheses I tested in the field with the Berkeley agents.[i] Research has shown, for example, that friendship means more than rewards from a single interaction, so friends tend towards equality in outcomes (Morgan & Sawyer, 1967). Friends may also make concessions to each other because of their concern for maintaining the relationship (Fry, Firestone & Williams, 1983). A recent study compared people's pricing strategies for a variety of hypothetical commodities when they thought about transacting with a friend or with a stranger (Halpern, 1992, 1994). The results showed that, even without communicating with the transaction partner, friend-buyers and friend-sellers *agreed* on the prices for the commodities, while stranger-buyers and stranger-sellers disagreed. There is also evidence that friends may reach agreements faster than strangers (cf. Schoeninger & Wood, 1969). Examining this result in the real world suggests that agents who are business friends may start out closer to the selling price than agents who do not know each other. Business friends may open escrow sooner than strangers (subject to the limits set by law). In hypothesis form:

H1: Among agents who are business friends, the first offer will be closer to the selling price than it will be among agents who do not know each other.

H2: Time between the initial offer and the opening of escrow will be shorter for business friends than for agents who do not know each other.

Close relationships tend to be characterized by harmony and equality (Boulding, 1973; Rubin, 1973). Friends anticipate future interaction; they attempt to maximize their partner's outcomes and maintain a sense of fairness so that the partner will want to interact again (Shapiro, 1975). There are general norms of trustworthiness and disclosure (Lazarsfeld & Merton, 1954; Zand, 1972). People expect their friends to want to (and to try to) reach agreement on most important topics with them; and for there to be a lack of conflict generally (Kelley, 1979; Seybolt & Murnighan, 1990). In real estate brokerage we can expect that:

H3: Agents who are business friends will perceive the transaction process as smoother and easier than will agents who do not know each other.

H4: Agents who are business friends will have fewer negotiations regarding the terms of sale after inspections.

Friends also can expect each other to provide information that will help maintain their cooperative interaction (Schoeninger & Wood, 1969; Deutsch, 1958). Agents might provide additional information to their friends.

H5: Agents who are business friends get advance notice of houses and properties.

IB. Anticipating Effects of Relationships in the Field

While most of the research on friendship has been conducted in the laboratory, the effects of friendship on supposedly economics-based decisions have been explored in some field settings. Baker (1984), for example, found that cliques among floor traders affect option price volatility. Economic models of the movement of stock prices had omitted friendship. Krackhardt's (1990) finding that friendship relations were related to a union authorization outcome was not as surprising, but he was able to illustrate the process by which friendship exerted its effect.

Real estate agents are a good population for study because their relationships are critical to their work and because they are natural negotiators. They negotiate with a variety of individuals, ranging from people they never met before to people they consider to be social friends. Thus, their daily negotiating routine provides a natural experimental design, theoretically allowing investigation of differences in interactions between friends and between strangers.

IC. Rationality and the Residential Real Estate Market

Residential real estate is an imperfect market, in which both client buyers and client sellers are relatively uninformed, and in which the clients are often uncertain about how to maneuver. The decision to buy or sell a house is peculiarly intense; it is, after all, the place one will be living, or the place one has lived, with all the memories and emotions associated with moving. Buyers and sellers therefore often turn to real estate agents to help them navigate the market.

The agents also face uncertainty. They must deal with the emotions of their client; and they must sort through the information specific to the house in question. In addition, the agent needs to evaluate, obtain, or estimate the information held by the opposite agent in order to achieve a satisfactory transaction for the client (the buyer or the seller). Obtaining listings is a time-consuming task; as is deciding which houses to visit. Moreover, it is often best for everyone concerned if the agents "move" the property quickly.

The literature review above referenced studies about the principals involved in transactions. Real estate agents, on the other hand, *represent* the principals. The agents see their role as mostly informing and facilitating the interaction. However, since the actual sellers and buyers are often poorly informed, many potential buyers and sellers closely follow their agents' recommendations -- in fact, they may put themselves almost entirely in their agents' hands. Moreover, since the agents' long-term interests are best served by fairly representing their clients (that is, the agents' long-term interests reduce their incentive to cheat in the short-term) it is reasonable to assume that the agents bargain as if they have the clients' interests at heart (cf. Williamson, 1985). Moreover, as some agents reported, they do become personally involved with the client: they learn about the client's children and pets, about their fears, worries, and problems, financial, marital, and otherwise. Several agents, in fact, commented that they sometimes encounter difficulties in becoming too emotionally involved with a client's transaction. Like a therapist, these agents may find the emotional intensity of the interaction to be draining:

> "Professional people will deal with business-- but it is an emotional business. You become the client's psychologist. It is a very emotional, tough business for each transaction." (35)[ii]

Other agents noted that over the course of the transaction, they become friends with the client; and in some cases, when the client lived nearby, they might actually develop and maintain real friendships that last for years.

Thus, in many cases, we may be able to assume that it is not only the client's objective, rational, financial interests that are being represented, but that in some cases, the agent may be acting with the client's emotional interests in mind as well.

ID. The Berkeley, California Real Estate Market

Real estate markets operate very differently throughout the United States. The description below is only of the North Berkeley, California market, and is not representative of all markets within the country.

The North Berkeley market caters mostly to professionals, academics, lawyers, engineers, architects, small businesspeople, and so on, although some of the houses within the Board's jurisdiction appeal to other groups as well. Agents characterized the buyers and sellers as articulate and educated about house-buying, although first timer buyers here are as nervous as anywhere else.

In 1990, there were 514 sales, with a total value of $151,215,886.00. The average price of a single-family residential unit was $294,194.00. From January 1, 1991 - June 30, 1991, there were 246 sales, with a total value of $76,096,008.00. The average price of a sale was $309,333.00.

The agent for the buyer is called the "selling agent"; the agent for the seller is called the "listing agent". In California, both the listing and selling agents are paid by the seller. The commission, which in Berkeley is often between 5-6 percent of the selling price, is usually divided 50/50 between the agents (however, the split can vary depending on circumstances). If the agent works for an agency, the broker gets 50%. Thus, for example, on a $250,000 house sale (not atypical in Berkeley at the time of the study), each agent earns $3125 in commission. A $10,000 change in the closing price, while substantial to the buyer, represents only an increase or decrease in actual received commission of $125 for each agent.

Thus, while both agents are motivated to get high closing prices to maximize their commissions, movement even in the ten thousand-dollar range is not likely to overly inhibit or excite the agents. They may prefer to close smaller, more certain sales rather than to try only for a few larger, more risky ones.

Residential real estate is oriented towards relationships and the future. It is centered in small, local markets, in which reputation matters. Aside from an agents' personal ethical sense, the importance of acquiring and maintaining a reputation as a fair and honest agent tends to limit collusion between agents to increase or decrease the price unnecessarily to deceive parties. The selling agent wants to ensure that the house s/he helps the buyer acquire today will become his/her listing tomorrow-- something that is unlikely to happen if that agent has to cheat the current client by selling him or her a lemon. Thus, although a "bad deal" (in which the buyer or seller ends up dissatisfied in some way) still results in commissions for the agents, the potential cost in loss of repeat business and in harm to their reputation is so high that most agents are motivated to ensure the clients' satisfaction. Lawsuits can lead to the loss of their licenses. Generally, most agents prefer to have an ethical sale, even if they lose a few dollars on their commission as a result.

The tightness[iii] of the housing market may have an effect on the competitiveness of the agents. Before this study began, while it was being considered by the Berkeley Board of Realtors, the housing market in Berkeley was "loose": there were a large number of houses available, but nothing was moving *(San Francisco Chronicle*, July 23, 1990). Thus, agents were likely to be more cooperative than usual, and friendship was likely to have more of an effect than in a heavily competitive market where houses are moving quickly. In the "looser" market, friendship-related contacts might be used more frequently, for example, in order to obtain recommendations of which house to show from among the many of a specific type available. While the study was still under consideration, the Berkeley market picked up momentum; however, nearly all the transactions reported occurred during the previous, slower period.

There were, in 1990-1991, 580 agents in the Berkeley Multiple Listing Service (MLS) (licensed and registered agents are members). One hundred and ninety offices were listed in the MLS. The system is not computerized; Berkeley agents refer to thick manuals that are updated every week when seeking information about listings.

II. Participants and Methods

IIA. Participants

I interviewed thirty-two licensed real estate agents in Berkeley, California. Participating agents' cards were entered into a lottery for three prizes: a mini color television set (worth approximately $300.00); and gift certificates good at a popular cafe (Peet's, worth approximately $30 each). All prizes were awarded[iv].

The Berkeley Board of Realtors granted permission to conduct the study. Managers of several agencies were contacted, and, with their permission, the researcher visited their offices, made a 5-minute presentation of the goals of the research project, and took the business cards of interested agents. (There was no way to determine whether the agents who did not volunteer their cards were systematically different from agents who did participate.) I contacted the agents within a week of collecting their cards, and set up interviews within two to three days of the contact. In some cases, agents offered names of other individuals who might be interested in participating. I contacted these individuals and independent agents (those not affiliated with a large office) by telephone.

In total, 38 agents were contacted; only 3 agents declined to participate outright. Two said they were too busy; the third would participate only if paid directly for the time. An additional two agents failed to show up at our scheduled meetings, and did not return my calls when I attempted to reschedule. One other agent did not answer my questions during the interview. I also interviewed one other agent from upstate New York after all the California interviews were completed.

Agents in the sample were licensed an average of 11.03 years (median 11). The agents who were members of an agency had worked for that agency on average 9.16 years (median 7). Among my informants, the average size of a transaction in the past year was $289,290 (median $300,000), and the average number of transactions in the past year was 13.16 (median 10.5). All but two of the agents I interviewed were full-time agents.

IIB. Method

I conducted semi-structured interviews with each agent. Interviews lasted between 45 minutes and 2 hours, generally running about one hour. Agents discussed one transaction, whether or not it resulted in a sale and finished within the last six months (or in progress) that met the following criteria:

1. The transactions concern a single-family home that was not church property, a condominium, a tenants-in-common (an increasingly popular but legally and financially complicated purchasing agreement), or probate property.

2. Two agents were involved (that is, the interviewee did not handle both sides of the transaction).

3. There was interaction between the two agents, whether positive or negative.

Interviews were scheduled at the agents' convenience, and held at their choice of office, home, cafe, or over lunch. Agents described themselves; described the transaction; and then described the other agent involved in the transaction. The interviewer took notes in a prepared booklet.

Factual questions about the transaction included the target agent's role (buyers' or sellers' agent); the original listing price; the selling agent's personal estimate of the value of the house; the number of other offers; the time between the opening and closing of escrow; and so on[v]. Participants also reported whether there were any unresolved issues at the time of closing, and whether the other agent or client attempted any last-minute manipulations to change the price.

Agents responded to subjective questions about the other participants (clients and other agent) in the transaction. Respondents described the nature of their relationship with the other agent (how long had they known each other, how many transactions had they attempted, were these interactions positive or negative experiences, and did they interact socially). Agents reported whether the deal was more or less difficult than other transactions in their experience; whether their client (and the other agent's client) was more or less difficult than other clients in their experience; whether the clients were motivated to sell or buy; whether the other agent was communicative, business-like, cheerful, friendly, trustworthy, and so on. During the interview, agents were encouraged to describe more specifically the aspects of the other agent or transaction which influenced their judgments. At the end of the interview, the agents provided their opinion of whether friendship matters in their occupation.

I transcribed interviews with the agents soon after the interview from notes taken during the interview. In a few cases, respondents were contacted for follow-up questions and clarification.

IIB1. Questionnaire development

Four experienced real estate agents (minimum experience: 12 years) and an attorney specializing in real estate law helped develop the questionnaire. None of these people were included in the research sample. I followed an iterative process of interviewing these informants, creating questions, presenting them to the informants for criticism, and revising the questions. Three additional agents of differing levels of experience (not included in the current sample) participated in a pilot test of the materials.

IIC. Comparing Social vs. Business Friends

Very few of the agents in this study had recently dealt with another agent they would consider a social friend. Relatively few transactions are conducted between social friends. An agent with 25 years experience observed that although he had worked with over 1500 agents from the Berkeley Board, and 600 more from Contra Costa (a neighboring area), "you might never do another transaction with a particular agent" (28). Another respondent with 25 years' experience had known another agent for 10 years, and in that time has had 5 transactions with her (31). Yet another informant had also known someone for 10 years, but had done only 2 deals with that agent (11). The agent who was one of the strongest advocates of the advantages of working with friends said that she had 10 close friends in her immediate business network, and about 30 in a more extended circle. In her 21 years as a Berkeley agent, she has had transactions with all of them, and she estimates that they comprise approximately 10 percent of all her transactions (39). Most agents do not have that high a percentage of interactions with friends because they do not seek them as aggressively as this agent does.

The structure of the real estate market discourages interactions with social friends: under normal circumstances, an agent deals with whatever client walks through the door[vi]. As one agent pointed out, "it is not uncommon to network with people you know. For a prize listing, we may call our favorite agents in the area first. But mostly it's what comes in the door (40)."

The client walking in the door may or may not be interested in a property (or a buyer) provided by that agent's friend. As numerous agents pointed out, "We serve our clients", "we do what is best for the client".

> "If I have a house, and someone in my network has a client, that's OK, but I wouldn't go through my Rolodex and look for a long shot. But if I have a buyer, I have to serve that person's needs, and wouldn't limit him or her to my network." (40)[vii]

While some agents may be aware of friend-agents' properties (or buyers) that might be appropriate for the client, the "decision rests with the clients".

Analyses were therefore made of differences in the data collected from business friends: agents who had known-- and had had positive interactions with-the other agent involved in the transaction for at least five years; and from unacquainted agents: those who did not know the other agent prior to the transaction (or had met the agent only a few times in five years)[viii]. The median length of acquaintanceship in the sample was five and one-half years: Fourteen respondents had known and liked the other agent for at least five years[ix].

IID. Dependent variables

The dependent variables for this study included: open-ended responses to questions about how the agent conducted transactions and the role of friendship in transactions. Agents reported how frequently they expect to interact with the other agent involved in the transaction they reported (e.g., were they likely to phone the other agent for leads on the market, or for advice; were they likely to share "war stories" with that person; and so forth). Agents also provided ratings of client and transaction difficulty; business characteristics of the other agent; how often they would engage in specific transaction-related behaviors with other agents (e.g., "phone for leads on the market"). These ratings were compared with other self-ratings of how likely each agent is to engage in the behavior at all.

I reviewed the interview transcripts to determine what interaction issues the agents themselves raised, and with what frequency. Agents raised forty issues. Table 4 lists these issues and their frequency; the listing is divided by individuals dealing with agents they knew and by agents who did not know the other agent with whom they were dealing.

III. Results

Differences in agents' perceptions of the other agent, the transaction, and the other's client were tapped through t-tests on the scaled dependent variables. T-tests compared the means of the two groups on outcome variables such as client difficulty, transaction difficulty, and friendliness of the other agent. (See Tables 1 and 2.)

IIIA. Responses to the structured questions

IIIA1. Transaction outcomes

The many types of transactions the agents reported made it difficult to compare friend's and unacquainted agents' outcomes. The results of analyzing the non- "as is" sales contradict hypothesis 1[x]. Business friends demonstrated a greater difference between the original listing price and final selling price than did agents who did not know each other (friends, $20.26;

unacquainted, \$8.87, t = 1.70, 25 df, p = 0.10). However, dollar differences of this magnitude are not meaningful on a \$250,000 sale. Hypothesis 2 was supported, however. Agents who were acquainted opened escrow sooner after the first offer than did agents who did not know each other, t = 2.18 (22.3 df), p = 0.03.[xi]

IIIA2. Process outcomes

Tables 1 through 3 provide the results of the t-tests performed on responses to the structured questions. Agents reporting a transaction with a business friend were licensed on average for a longer time than were non-acquaintances (business friends: 16.28 years; non-acquaintances: 6.94, t = 3.32, 18.7 df, p = 0.003). Supporting hypothesis 3, acquaintances perceived the other agent as significantly less difficult, more trustworthy, more cooperative, and more prompt than did non-acquaintances (difficult agent t = 1.89, 22.8 df, p = 0.07; trustworthy agent t = 2.22, 30 df, p = 0.03; cooperative agent t = 2.84, 19.5 df, p = 0.01; promptness t = 2.01, 29 df, p = 0.05). (See Table 1.) These characteristics partially support H3, as agents observed that these characteristics made transactions run more smoothly overall. Table 2 indicates that Hypothesis 4 was not supported: there was a slightly greater tendency for business friends than for non-acquaintances to bring up new issues after inspections were completed (t = 2.04, 26 df, p = 0.05).

Business friends showed a nonsignificant tendency to have fewer meetings, phone calls, and memos than non-acquaintances; business friends were seen as tending to provide more and better quality information. Business friends tend to be asked somewhat fewer questions about the market, particular transactions, or about leads. Business friends brought up more new issues after the inspections than did strangers. However, Table 1 indicates there was no difference in the number of major new issues raised by either group.

IIIB. Responses to open-ended Questions

The agents who focused on the positive aspects of business friendship tended to be more experienced than those who saw friendship as unnecessary or problematic. These "old timers" (those with 10 years or more of experience also had other points of view that differed from the newcomers'. In the sections that follow, I compare the old timers with the newcomers.

In this old timer's group, different behaviors manifest themselves than among the newer agents. For example, old timers reported that contracts may be drawn tighter, with fewer contingencies included in a multiple-offer situation, so that clients may be better controlled from the outset (often guaranteeing a sale). Old timers also noted that they may walk away from a property if someone else they know is representing a client who really wants or needs that property; in the words of one agent, they "constrain the thirst for the chase". In fact, among themselves it seems that the old timers have learned to balance competition and cooperation with friends, perhaps by having experienced that there really is "enough business to go around".

IIIC. The Role of Friendship

Hypothesis 3 suggested that business friends would see transactions as running smoother than would non-acquaintances. Support for this hypothesis varied with the level of the experience of the agent. Only two agents maintained that technical skills alone were sufficient, that interaction style did not influence closings:

> "Other problems are more important than interaction styles. Financing is a major part of deals, for example (you have to know how to deal with that)". (12)

> "If you are a true professional and want to see a house sold, friendship shouldn't matter. Transactions don't go easier because of it." (36)

These agents had 4 and 2.5 years of experience, respectively.

Fifteen agents (46%) observed that business friendship had positive aspects:

> "Friendship can facilitate transactions: If you know someone, you can predict how they will react, you know how to present your side; it can help you be more effective in shaping your own response." (42)

> "...There's no need to be highly technically skilled. There's always someone there during a transaction who knows what they're doing -- the other agent, a broker. The people part is more important." (43)

> "Skill is useful -- you can be successful in spite of yourself ...But friendship can heighten cooperativeness and problem solving." (25)

These agents were the old timers, with at least 10 years in the business. Some (10 agents, or 31%) of these experienced agents saw a role for technical as well as interpersonal skills.

> "Interaction styles matter a lot, but not all the time." (22)

> "Interaction styles matter, but not much we can do about them. Business friendship may hinder transactions if you focus on the friendship, rather than on the transaction, you may not try hard enough for the client. But a good agent can separate friendship and the transaction." (40)

A few (25% or 7 agents) were undecided about the effects of friendship but thought it might get in the way:

> "Friendship matters for return of calls and for the pleasantness of the transaction, but it doesn't matter for the close of escrow." (14)

> "Friendship per se is irrelevant. It can make the transaction more comfortable, but I wouldn't work harder on a transaction just because it was with a friend ...It is comfortable to deal with a known quantity. You know their strong points and weak points; it makes it better when you present an offer for example, because you know your audience. It can be more uncomfortable because of the possibility of locking horns. You are representing your client, and all that ...stuff can get in the way of your relationship ...It can get adversarial." (43)

One agent with more than 15 years of experience said that not only does she believe in the importance of business friendship; she tended to capitalize on it. She and about 30 good business friends, all very experienced agents, met on a monthly basis to discuss transactions, houses, clients, other agents, and the market generally. The group disbanded, she said, because many people the "core" group did not want to invite began to show up at the meetings. Another agent who had been involved in these meetings lamented the passing of the group: it decreased the old-timers' use of their business associate networks. Whether or not they believe that friendship per se matters, and no matter how they apply its principles, it is clear that the majority of agents recognize that they must work together with the other agent, and that to ignore the relationship imperils the transaction.

> "Agents have to work together. Their duty is to bring together the transaction. Since clients may be easy or hard to work with, so agents must be close and ethical. If I don't represent the client well, or antagonize the other agents, I can damage the transaction." (32).

IIID. The Role of Trust

While the agents generally attributed greater trustworthiness to agents they had known for some time than to agents they had not known (trustworthy agent $t = 2.22$, 30 df, $p = 0.03$). There was no experience-related split in the responses.

In general, the newcomer agents were more likely than the old-timers to consider trust to be prevalent, and to be something they could and should count on during their transactions. An agent with only five years' experience noted:

> "You have to count on the other's trustworthiness. In general, agents here are trustworthy. There are very few cases of dishonesty." (29)

Old timers were more skeptical, since many acknowledged that some of their own negotiating strategies were manipulative. The old timers seemed to be willing to trust those in their established business friendship networks, but less willing to extend that trust to individuals they do not know.

The distinction between the personal network and outsiders came through in these comments made by an experienced agent. He had worked with the other agent he described over 10 years. His comment:

> "She is trustworthy because what she says is what happens. Sometimes the clients can sabotage your work, but she's sufficiently guarded. I would take her word on the prequalification of a client, and not ask to see the paperwork." (31)

Regarding another agent he did not know well, however:

> "She would take bold steps forward without the client's okay, and ended up with a hollow shell of an agreement. (As a result) I would try to get everything in writing, with the clients' signatures." (31)

Other old timers acknowledged their conservatism in dealing with agents outside of their network who have reputations for being "trustworthy":

> "It's nice when they have a good reputation, but we are working for our clients. I never trust another agent's words -- appearances are not enough." (27, 13 years' experience)

> "I trust agents who are trustworthy--but I do like to get a prequalification anyway." (42, 11 years' experience)

> "I don't trust people on account of their reputations; only if I have known them for many years, and have had experience with them. I don't trust other agents' advice; instead, I go straight to my lawyer." (39, 21 years' experience)

On the other hand, this same agent said about transactions within the friendship network:

> "We end up helping each other. Trust is the important part. I only feel I can trust people I know this well. However, people trust me. If an inexperienced agent makes a slip with me, I won't use it against them." (39)

One agent was blunt about the inappropriateness of trusting others:

> "Trust is not so important: You control the situation. What are you trusting the other person for? You are not relying on the other person . ... There were times I relied on the other person's word, to my disadvantage. There are countervailing forces to trust-- for example, brokers' demands and outside pressures. Trust should be tempered by the knowledge of human nature and that we are paid on commission." (25, 13 years' experience)

Agents aren't always able to work only with other trustworthy agents, however. Early in their careers, agents recognize that they cannot "badmouth" other agents (30, 2 years' experience) to their clients, no matter how little they trust the other agent. However, in those cases where agents find they have to work with someone they don't trust, they find ways to warn their clients:

> "If I have to (work with someone whose responsibility I don't trust) I would say we need to be especially careful because he may not be following the same disclosure laws as we do." (33)

> "I will tell the seller, if you take offer A, you can make 10 grand more, but this agent will f___ you" (39).

Another agent put the same thought in more polite terms:

> "If I had two offers, one from an agent I knew would be likely hard to work with: I would inform my client that though the other offer is lower, it is more likely to come to a completion." (32).

IIIE. Manipulation and Impression Management

The conscious creation of a friendly environment is termed "impression management". This is the "conscious or unconscious attempt to control images that are projected in real or imagined social interactions" (Schlenker, 1980:6). Impression management can be manipulative and false, or it can be a genuine concern with creating a hospitable environment. Real estate agents practice a great deal of impression management.

While transactions with social or business friends is not the norm for real estate agents, they do rely heavily on what Kurth (1970) has referred to as "friendly relations". Agents regard interaction styles as important to the outcome of a transaction.

Most agents I spoke with at least appeared to have a cheerful, friendly disposition. "Transactions go well when the agents are open, compromising, and willing to share information and to be flexible." (36) Agents serve clients best by maintaining a comfortable working relationship with one another. All agents seem to prefer a professional milieu, and, in most cases, a nonhostile, nonadversarial situation in which the cooperativeness, flexibility, and communicativeness of the agents resembles "friendly relations".

Friendly relations of the type these agents develop in some cases could also be termed false cordiality. Agents are simultaneously aware of performing this type of impression management, and of receiving it. While those who mentioned that they do "pretend" to be friendly have good reasons for such pretense, the recipients do not always appreciate it. On the other hand, no one pointed to examples where the technique hindered the transaction. It is possible that the artificiality may have actually helped by covering, or at least rendering ambiguous, negative or hostile feelings. One agent described a transaction in which the other agent had been sloppy, and had done things without her client's approval; the experienced agent said it was never clear what was going on during the transaction.

> "I gave her every opportunity to save face...We put up with it because we wanted to close ...I'll be friendly towards her in the future. For example, I'll use 'glad handing' at meetings. It can mend fences. It is important to get on with life. The sooner I affect a friendly ambiance, the better it is for our work relationship." (31, 25 years' experience)

In another case, an agent had worked with someone who tried to take advantage of his more "senior" position in the field by having the newcomer do parts of his job -- running errands, or paying for services that by law were his responsibility. He even asked her to sacrifice part of her commission while he refused to give up any of his. Shortly after the transaction closed, he saw the junior agent with another agent he regards as well respected. In a classic case of "status by association", he has since become very friendly. The about-face is likely to serve the new agent well, if they ever have an opportunity to work together in the future.

Many of the strategies the experienced agents mentioned that they use on the behalf of their clients seem to undermine the notion that anyone could trust them. However, these agents were quick to draw the line between being manipulative in the client's interest and being unethical-- although they admitted that the line was sometimes a thin one. "Shopping offers" (some agents, aware of an incoming offer, might call other agents and ask if their buyers were interested in making a higher offer) and purposely misrepresenting the clients' financial position were considered definitely unethical. One agent noted simply "You put yourself out of business if you are underhanded." Another observed that antagonistic agents probably are doing both sides of a deal themselves (that is, they represent both the seller and the buyer; about 15% of all transactions in Berkeley are dual agency for one reason or another; of course, only a few of these are because the agent is unethical or hard to get along with). However, misrepresenting the clients' emotional interest in the property, controlling the clients' demands, and demonstrating anger, impatience, and false cordiality are considered legitimate techniques. An agent with 14 years of experience commented straightforwardly,

> "Sometimes you need to bluff. If your client really wants something the other party won't give, and doesn't want to lose the property ...you can try to bluff. It's a thin line." (40)

An agent with 21 years' experience acknowledged a similar strategy:

"Manipulate as necessary. The hard thing is to remember what you say." (39).

Interestingly, however, the importance of actual (rather than simulated) business friendship and its associated networks seem to be well understood by at least some less experienced agents. As the old timer who reported the monthly meetings described above pointed out, the group was disbanded because too many people not selected by the core were beginning to show up at the meetings. It is revealing that the group disbanded because of its popularity, rather than because complaints had been lodged against it.

IIIF. The Impact of Experience on Attitudes Toward Friendship

The interview data revealed that a more complex set of processes than those originally hypothesized characterize the practice of real estate in Berkeley. There are two real estate agent groupings in Berkeley, divided by years of experience. The two groups operate under distinctly different principles. Agents' attitudes towards the role of business friendship in their dealings in particular are mediated by their seniority in the occupation. The "old-timers'" group (more than 10 years' experience in Berkeley) operates on the basis of business friendship. The new agents, while stressing friendly relations and the importance of trust in one another, instead operates more "by the book". Less experienced agents' comments did not reflect the old-timers' interest in or concerns for business friendship. Instead, the newer, less experienced agents were concerned with maintaining friendly relations and obtaining accurate information.

IIIF1. Sources of differences between the two groups

The differences between the two groups run deep: the "friendship" that is central to the old timers becomes "friendly relations" in the new agents group. For the less experienced agents, the existence of friendly interaction styles could be thought of as a "hygiene factor", to borrow Herzberg's (1966) well-worn phrase. While friendliness does not guarantee the closing or the customer's satisfaction, lack of friendliness (and particularly the existence of non-"friendly" behaviors) can interfere with the transaction.

This crucial difference may be attributable to the increasing complexity of rules and regulations and in the associated norms of the market over time. The legal system governing transactions is becoming increasingly complex. There are more and more involved laws regarding disclosure, licensing of agents, need for inspections, rules covering mortgage lenders, and protection from increased litigation. The market is also more complicated than in the past, because there is an increasing volume of houses being bought and sold by people with more sophisticated knowledge of the market and of options for financing. Other complexities derive from financing. Formerly, banks and mortgage lenders discussed financial options with real estate clients. Many new products have emerged, and each bank touts its own, making it more difficult than ever for buyers to decide what to use. The opportunity to develop creative financing options may therefore help some agents close a sale.

The increased complexity of the market and its regulations has been met by increased training and emphasis on technical and legal aspects of transactions. Agents are taught to avoid even the appearance of doing something wrong, and may therefore shy away from the potential advantages of dealing with business friends, holding everyone at "arm's length", and considering their own actions in terms of what is in the client's best interest. No longer can the "Welcome Wagon" hostess become a real estate giant based on her friendliness, knowledge of the area, and knowledge of what her clients want[xii].

Some of the newcomer agents could be more aptly described as real estate technicians. As a result, suggest the old timers (as well as some of the less experienced agents), many of these technicians are missing the point of why most clients hire agents in the first place. As one agent pointed out, "Transactions are fine, they usually go through" (43) assuming that the client is prequalified and the condition of the house is fully disclosed. However, as many buyers and sellers who attempt to represent themselves discover, the process can be frustrating, complicated, and certainly time consuming. Thus, the agents' main role is as a facilitator. "Clients hire me to be angry and to worry so they can get on with their lives." (24)

From this perspective, once an agent is retained, then, his or her technical skills are only important insofar as they expedite a process that is likely to come to a successful conclusion of its own accord.

While agents are not obligated to develop financing packages: they are obligated to facilitate the transaction to ensure the closing, and to ensure the client's satisfaction. This is where relationship issues become pivotal. "If agents don't get along, they may bicker, and this may get in the way of closing escrow." (33) Similarly, other problems in the agents' relationships can get in the way of escrow, and the failure of escrow would be the greatest disservice of all to the clients. While one agent pointed out that "complications are often due to clients', not agents,' personalities" (20), it is the agents' charge to overcome these problems, to "assess and disseminate information in a palatable manner" (20).

IV. Conclusions

This study demonstrates that business friendship influences the process of real estate transactions, affecting who is trusted, what sorts of issues can be brought up after escrow is opened, and how the other agent is treated.

The study also revealed that agents' attitudes towards the role of friendship is mediated by their years of experience. The more senior group emphasizes the role of business friendship; while the less experienced group provides the impression of friendly relations while emphasizing technical financial skills.

The clear distinction between the two groups and the agreement within the groups of how transactions should be handled when done with business friends or with non-acquaintances provides evidence of experience-related scripted behavior towards these groups. The old timers had similar expectations for how trust would be earned, and in what specific ways they would trust each other. They were not surprised by the one old-timer's comment that she would "give up the chase" for a business friend in some situations, and they said they would do it themselves, or had in fact done it.

The newcomers, on the other hand, thought that many of the old timers' "notions" were wrong. The newcomers hold a different script. The newcomers could not imagine anyone ever giving up the chase. Instead, they spoke much of "friendly relations" and the impression management involved in pretending to be friendly. The newer agents expect to use and to encounter impression management techniques.

It is important to further examine the interaction of business friendship and experience. Is the "generation gap" between old timers and newcomers evidence of an occupational change? Will business friendship fall by the wayside as a result of such change, and will clients be harmed or benefited by this change? What aspects of business friendship, if any, are critical to the effective practice of brokerage, and what aspects can be safely ignored? Comments from the old timers suggested that the flow of information among agents could differ based on friendship; a networking study might reveal the paths this information takes.

The agents' friendship scripts could be further explored using the technique of "cognitive mapping" (Eden, Ackerman, & Tait, 1993). "Cognitive maps" provide the cause-and-effect links that drive people's behaviors. It shows the relationship between the characteristics, expectations, and behaviors that people hold. Using this technique, we can compare agents' cognitive maps for friendship. If we find differences between the cognitive maps of specific groups of agents (for example, old timers and new comers), we can anticipate how the groups are likely to come into conflict. Knowing where they have commonalties may help us understand how to avoid or resolve that conflict. The technique can provide insight into how agents can increase their efficiency.

While many studies test hypotheses about how people behave by isolating people from the real-world context, such studies can miss interesting, real-life interactions. This study attests to the fact that there are important advantages to talking to the people involved in the occupation. The effect of business friendship exists, but is difficult to pin down in strictly financial terms. A study focusing only on the financial outcomes might very well have missed the effect of friendship on the transaction process. It would never have found the interaction with years of experience.

Business friendship may be losing ground as the critical center of the real estate business, while managed "friendly relations" seems to be taking its place. The complex laws and regulations may uproot the importance of interpersonal interactions, both between agents, and between agents and clients. The new emphasis on friendly relations rather than on real friendship per se may be the harbinger of more technical, objectively "rational" real estate practices to come. Some changes are already in the offing: Computerized listings, for example, are already common in other parts of the country, limiting the role of business contacts on at least one parameter.

If the goal is the most efficient placement of the most people in houses that satisfy most of their needs, this evolution is welcome. Computerized matching systems, such as those that were developed in Israel for housing the massive influx of Russian immigrants, might provide a more efficient system. If, on the other hand, the goal is to find *homes* that people will love, a different system is necessary. Computers do not recognize that people don't always know what they want, but many real estate agents do. Agents can understand that a seller may sacrifice some profit in order to sell to a family they like, or that a buyer may sacrifice space for a view that she had never seen before.

Most real estate agents recognize that they still are in a "people business" where interpersonal relations do matter, at least indirectly. If friendship doesn't exactly grease the wheels of the real estate business, friendly relations allows those relationships to seem smooth, and to allow these agents "(to help make) someone's dreams come true".(30)

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TABLE 1

Agent's Evaluation of Acquaintances and Strangers:
Responses to Structured Questions

Other Agents' Characteristics

How often would you:

	+Acquaintance(n)	Stranger (n)	t (df)
Ask this person for information about the market			
	1.75(4)	1.88(9)	0.24(11)
Ask this person advice about particular transactions			
	1.00(2)	2.00(5)	1.88(5)
Ask this person for leads or inquiries			
	1.66(3)	2.33(6)	1.76(7)
Have social meetings with this person			
	2.33(3)	2.42(7)	0.18(8)
Accompany this person to professional meetings			
	2.00(3)	2.00(5)	0.00(1)
Share "war stories" with this person			
	2.00(3)	1.75(4)	0.44(3)
How effective is this person in solving problems			
	9.35(14)	8.38(18)	0.99(30)
How trustworthy is this person			
	11.21(14)	9.16(18)	2.22(30)**
How cooperative is this person			
	11.53(13)	9.22(18)	2.84(19.5)***
How would you rate this person's reputation			
10.75(8)	8.33(6)	1.01(5.7)	

+ "Acquaintance" is an agent the respondent has known at least 5 years, has had a positive relationship and with whom the agent has had at least 1 transaction.

RESPONSES TO STRUCTURED QUESTIONS:

Other Agents' Characteristics, cont'd.

	Acquaintance (n)	Stranger (n)	t (df)
Did this person provide sufficient information			
	9.50(10)	8.66(15)	0.87(23)
How would you rate the quality of information provided			
10.40(10)	9.50(14)	1.31(22)	
+Relative number of face-to-face meetings			
	2.00(4)	1.81(11)	0.40(13)
Relative number of phone calls			
	2.00(8)	2.26(15)	0.93(21)
Relative number of memos			
	1.50(2)	2.00(4)	0.73(4)
Relative promptness of returning phone calls			
	3.00(13)	2.66(18)	2.01(29)**
Relative cheerfulness			
	3.00(13)	2.68(16)	1.59(27)
Relative formality of interaction style			
	2.38(13)	2.25(16)	0.49(27)
Relative informality of interaction style			
	2.12(8)	1.84(13)	1.05(19)
Relative emotional stability			
	3.00(13)	2.88(18)	0.84(29)

+ “Relative" to other transactions/agents the respondent has encountered over the past year or two.

TABLE 2
Agents' Evaluation of Acquaintances and Strangers:
Responses to Structured Questions

Transaction Characteristics

	Acquaintance(n)	Stranger(n)	t (df)
Number of offers in a multiple-offer situation			
	1.46(13)	1.58(17)	0.18(28)
Number of counters			
	0.55(11)	0.86(15)	0.92(24)
+Significant problems raised during the inspection			
	0.57(14)	0.38(18)	0.75(30)
+Was a second inspection requested			
	0.64(14)	0.38(18)	1.42(30)
+Were any issues reopened after the inspection			
	0.15(13)	0.25(16)	0.61(27)
+Were any new issues brought up after the inspection			
	0.38(13)	0.06(15)	2.04(1.73)**
+Were any major issues brought up after the inspection			
	0.50(2)	0.25(4)	0.51(4)
+Were any attempts made at the last minute to change contract terms			
	0.00(4)	0.15(13)	0.80(15)
Listing agent's personal estimate of house value			
	404.16(6)	416.85(7)	0.09(11)
Original listing price of house discussed			
	345.07(13)	376.44(18)	0.47(29)

+ Yes/No responses only

RESPONSES TO STRUCTURED QUESTIONS:
Transaction Characteristics, cont'd.

	Acquaintance (n)	Stranger (n)	t (df)
Time between initial offer and opening of escrow			
	1.22(9)	5.13(23)	2.18(22.3)**
Length of escrow			
	57.50(2)	51.20(5)	0.33(15)
+Selling price			
	225.00(2)	286.60(5)	1.33(5)
++Estimated level of seller's motivation to sell			
	4.30(13)	3.94(18)	0.66(29)
++Estimated level of buyer's motivation to buy			
	3.00(13)	3.61(18)	1.25(29)
++Estimated overall difficulty of transaction			
	2.07(13)	2.47(17)	0.73(28)
++Estimated difficulty due to financial, legal or zoning problems			
	1.66(6)	2.10(10)	0.53(14)
++Estimated difficulty due to the other agent involved			
	1.30(13)	1.94(18)	1.89(22.8)*
++Estimated difficulty due to my client			
	2.23(13)	2.05(17)	0.29(28)
++Estimated difficulty due to other agent's client			
	2.00(13)	2.33(18)	0.57(29)

* p<10
** p<.05

+ As is and multiple offer situations were excluded because in these cases the original listing price was the same as the selling price.

++ Measured on a 5-point scale, where 1 is “low” and 5 is “high.”

TABLE 3

Agents' Evaluation of Acquaintances and Strangers:
Responses to Structured Questions

Agent's Experience

	Acquaintance (n)	Stranger (n)	t (df)
Number of years licensed			
	16.28(14)	6.94(18)	3.32(18.7)***
Average transaction size (this year)			
	294.92(13)	292.44(18)	0.27(29)
Number of transactions (this year)			
	13.16(12)	13.16(18)	0.00(28)

* p <.10
** p<.05
***p<.01

TABLE 4

Characteristics Important to
Closing a Transaction: Volunteered Responses

	# (%) mentioning characteristics		# (%) not mentioning characteristics	
	Acquaintance	Stranger	Acquaintance	Stranger
Respect is important+	3 (60)	2 (40)	10 (38.46)	16 (61.54)
Respect is not important	1 (100)	0 (0)		
Efficiency is important	10 (52.63)	9 (47.37)	4 (30.77)	9 (69.23)
Imagination is important	3 (75)	1 (25)	3 (75)	1 (25)
Technical skills are important	4 (57.14)	3 (42.86)	8 (34.78)	15 (65.27)
Technical skills are not important	2 (100)	0 (0)	8 (34.78)	15 (65.27)
Protecting client as positive+	2 (40)	3 (60)	11 (45.83)	13 (54.17)
Protecting client as negative+	1 (33.33)	2 (66.67)		
Reports on client's thoughts	0 (0)	3 (100)	14 (48)	15 (51.72)

+ The adjectives “important,” “positive,” and “negative” refer to the characteristics' contribution to a successful transaction.

VOLUNTEERED RESPONSES:
Transaction Characteristics, cont'd, p. 2

	# (%) mentioning characteristics		# (%) not mentioning characteristics	
	Stranger	Acquaintance	Stranger	Acquaintance
Business-like behavior is positive	4 (42.86)	4 (57.14)	10 (41.67)	14 (58.33)
Business-like behavior is negative	1 (100)	0 (0)		
Flexibility a important	4 (66.67)	2 (33.33)	10 (38.46)	16 (61.54)
Informality is important	5 (71.43)	2 (28.57)	9 (36)	16 (64)
Trustworthiness is important	7 (58.33)	5 (41.67)	7 (35)	13 (65)
Dishonesty is a problem	0 (0)	2 (100)	14 (46.67)	16 (53.33)
Deceitfulness is a problem	4 (57.14)	3 (42.86)	10 (40)	15 (60)
I have confidence in the other agent	1 (50)	1 (50)	13 (43.33)	17 (56.67)
I don't check other agent's information	0 (0)	1 (100)	14 (45.16)	17 (54.84)
Rudeness is a problem	0 (0)	2 (100)	14 (46.67)	16 (53.33)
Other agent "punishes" me	0 (0)	2 (100)	14 (46.67)	16 (53.33)
Pressure by other agent exists	2 (50)	2 (50)	12 (42.86)	16 (57.14)
Delaying techniques were used	1 (50)	1 (50)	13 (43.33)	17 (56.67)

VOLUNTEERED RESPONSES:

Transaction Characteristics, cont'd, p. 3

	# (%) mentioning characteristics		# (%) not mentioning characteristics	
	Acquaintance	Stranger	Acquaintance	Stranger
Other agent too busy	0 (0)	3 (100)	14 (48.28)	15 (51.72)
Experience is important	3 (42.86)	4 (57.14)	11 (44)	14 (56)
Volunteering information is positive	1(14.29)	1(85.71)	13 (52)	12 (48)
Sharing information is important	3 (42.86)	4 (57.14)	11 (44)	14 (56)
Lack of sharing information is a problem	1 (33.33)	2 (66.67)	13 (44.83)	16 (55.17)
Cooperativeness is important	3 (37.50)	5 (62.50)	11 (45.83)	13 (54.17)
Other agent's stability is positive	2 (33.33)	4 (66.67)	12 (45.15)	14 (53.85)
Other agent was emotionally unstable	2 (50)	2 (50)	12 (42.86)	16 (57.14)
Communicativeness is positive	5 (41.67)	7 (58.33)	9 (47.37)	10 (52.63)
Communicativeness is negative	0 (0)	1 (100)		
Other agent gives excuses	2 (50)	2 (50)	12 (42.86)	16 (57.14)
Attention to details is positive	5 (55.56)	4 (44.44)	8 (36.36)	14 (63.64)
Attention to details is negative	1 (100)	0(0)		
Overlooking details is not so bad	0 (0)	1 (100)	13 (43.33)	17 (56.67)

VOLUNTEERED RESPONSES:
Transaction Characteristics, cont'd. p._4

	# (%) mentioning characteristics		# (%) not mentioning characteristics	
	Acquaintance	Stranger	Acquaintance	Stranger
Overlooking details is a problem	13 (43.33)	17 (56.67)		
Details can be negative	2 (66.67)	1 (33.33)	12 (41.38)	17 (58.62)
Other agent structures our interactions	1 (50)	1 (50)	13 (43.33)	17 (56.67)
Other agent uses stereotypes	0 (0)	1 (100)	14 (45.16)	17 (54.84)

Endnotes

[i] Other forms of friendship may also affect the transaction. For example, friendship between agents and their clients; friendship between the clients themselves; and friendships between agents and the lenders may also influence transaction outcomes. However, only relationships between agents are considered here.

[ii]Numbers in parentheses refer to the respondent's ID.

[iii] Many different terms are used for aspects of the real estate market. Some agents refer to the "tightness" of the market; some to the "speed" of the market; still others refer to whether it is a "seller's" or "buyer's" market. I am sure other terms exist. My advisor for this profject, an experienced Berkeley agent and past president of the Board of Realtors, used "tightness;" so will I.

[iv] Such lotteries are common in the real estate industry.

[v] The Project Booklet (interview protocol) is available upopn request from the author.

[vi] Two of the more senior agents mentioned that their business was based mostly on referrals. The agents working in agencies tended to refer to obtaining clients through "open houses" or walk-ins. Many agents also advertise in the local newspapers and magazines.

[vii] As another agent commented on reading this draft, "'limiting'" is not the same thing as 'giving preference to' or 'showing first'"

[viii] Only one re spondent reported an unpleasant transaction with an agent whom he had known, on pleasant terms, for more than five years.

[ix] The analyses described below were also run comparing respondents who knew the other agent for *any* length of time vs. those who had never met the other agent; there were no differences in the pattern of results between these results and those reported below for business friends vs. unacquainted.

[x] The small size of the sample and the many confounding factors involved hampered the investigation of the financial aspects of the transactions. For example, there were too few cases of unsuccessful transactions to permit a meaningful analysis of differences between acquaintances' likelihood of closing. There were similarly too many "as is" sales and multiple offer situations to allow a meaningful analysis of differences between numbers of offers and couonters or between distances from listing to selling price. In many "as is" sales, sellers tend to have a "take-it-or-leave-it" mind set, and there tend to be multiple offers as well. Therefore, counteroffers are often inappropriate, and the listing and selling prices tend to be indentical. In the multiple offer situation, buyers' attempts at counters are frequently met by the sellers' dismissing the offer and taking the next person on the list.

[xi] This finding is particularly interesting since, by law, escrow must be opened within 24 hours of the acceptance of an offer. However, the time between the first presentation of an offer and its acceptance (marked by the opening of escrow) can vary substantially.

[xii] This is the real-life story of an agent in Ithaca, New York.