Summary

The thesis will look into the market behaviours of four economic parties in the property market: the property seller, the seller’s agent, the property buyer and the buyer’s agent. It will build up a model including the pay-off functions of each party, intending to reveal the impact of different players on each other in a market under information asymmetry. The displayed relationship among these players unveils a market mechanism that results in a trade-off between information possession and profit gaining of interested parties. It is found that property buyers, who are at an inferior position in information possession, are protected by the mechanism in the price dimension. The parties of advanced information, namely the sellers or the seller’s agents, however, encounter various constraints in raising the property price levels and thus are constrained from taking advantage of their advanced position in information possession to obtain excessive profits.

Chapter 3 will study the principal-agent relationship between the sellers and the seller’s agents in the price dimension. Under a price-incentive commission structure, the optimal listing price for the seller’s agent will be different from that of the seller, which gives the agent incentives to influence the seller on the listing price level and advise her\(^1\) of his optimal price instead of hers. Effort will be made to look for solutions and it is shown that property buyers are possibly benefited from the presence of the pricing conflict by a lowered listing price level.

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\(^1\) In order to make illustration clear and concise, the principal is quoted as ‘she’ and the agent is quoted as ‘he’. This arrangement does not intend to constitute any sexist language.
Chapter 4 will study the relationship between the buyers and the seller’s agent. It will set up a model that includes buyer’s awareness of information asymmetry. The result shows when property buyers adopt certain self-protection against over-charging, the action does not affect the agent’s or the seller’s perception on the property’s listing price. Instead, it lowers the agency effort level on behalf of the seller.

Chapter 5 will investigate into the economic incentive of buyer’s agents. The model assumes a buyer’s agent aims to maximise his long-term pay-off. The result of the analysis shows that there are positive economic incentives for the buyer’s agents to achieve a purchasing price as low as they can for their clients – the property buyers.

Chapter 6 will look into the impact of agents’ competence level on their market behaviour. It shows an agent’s profitable range in the price level enlarges with the increase in his competence. A property buyer can benefit from working with a highly competent agent, even if he is a seller’s agent.

The findings of the thesis will suggest a mechanism of trading off interests of different parties in the property market. It protects buyers from high property prices or low representation and enforces constraints on sellers and agents from charging high prices. It is found that even with no buyer’s agents, the property buyers are able to work with sellers or seller’s agents under a protected scheme.