



2016

Emotions in Real Estate Negotiations

Hayley Schneider
University of Pennsylvania

Follow this and additional works at: http://repository.upenn.edu/joseph_wharton_scholars

 Part of the [Real Estate Commons](#)

Recommended Citation

Schneider, H. (2016). "Emotions in Real Estate Negotiations," *Joseph Wharton Scholars*. Available at http://repository.upenn.edu/joseph_wharton_scholars/4

This paper is posted at ScholarlyCommons. http://repository.upenn.edu/joseph_wharton_scholars/4
For more information, please contact repository@pobox.upenn.edu.

Emotions in Real Estate Negotiations

Abstract

Prior research has been conducted on emotions in negotiations in lab settings. Researchers have found that anger in negotiations has been linked to value-claiming, impasses, and unethical behavior. This study seeks to expand such research into the field of negotiations between real estate agents and their clients, as well as between one another. Structured interviews with real estate agents were used to collect data on the topic. These interviews were then coded for links between the expression of emotions and their influence on the negotiation process and outcome. While some of the aforementioned links were found to exist, the emotional influence on negotiation outcomes is largely different than what has been found in the lab due to the nature of the client-agent relationship, financial incentives, and other factors that are unique to a real estate field setting.

Keywords

Negotiations; Real Estate; Emotions; Real Estate Agents

Disciplines

Real Estate

Emotions in Real Estate Negotiations

Hayley Schneider

The Wharton School

Faculty Advisor: Dr. Jeremy Yip

The Wharton School

Research Disciplines: Negotiations, Real Estate

Abstract:

Prior research has been conducted on emotions in negotiations in lab settings. Researchers have found that anger in negotiations has been linked to value-claiming, impasses, and unethical behavior. This study seeks to expand such research into the field of negotiations between real estate agents and their clients, as well as between one another. Structured interviews with real estate agents were used to collect data on the topic. These interviews were then coded for links between the expression of emotions and their influence on the negotiation process and outcome. While some of the aforementioned links were found to exist, the emotional influence on negotiation outcomes is largely different than what has been found in the lab due to the nature of the client-agent relationship, financial incentives, and other factors that are unique to a real estate field setting.

Keywords: Negotiations; Real Estate; Emotions; Real Estate Agents

INTRODUCTION

There exist many research studies on emotions and their impact on negotiator behavior and outcomes that have been performed in the lab. This study on emotions in real estate agent negotiations seeks to expand upon such lab studies. This distinction in variables between the lab and field settings is crucial in this study, as real estate agents are found to be motivated by authentic, career-related factors that result in real estate agents' display of different negotiation behaviors (compared to what has been found in the lab) in response to emotional expression.

A structured interview method was employed in order to examine the intricacies of real estate agent negotiations. 28 real estate agents answered questions on client to agent and agent to agent negotiations. These interviews included questions that were meant to examine the nature of emotional expression in agents' negotiations, as well as to assess the influence of emotions on the negotiation process and outcome. In particular, the connections between displays of anger and frustration and concessions, impasses, and unethical behavior were explored.

Findings varied in their relationships to what has been found in the lab. In this study, emotions (primarily anger and frustration) in real estate negotiations are displayed quite frequently and have a greater effect when expressed in client to agent negotiations compared to when expressed in agent to agent negotiations. Emotions are mildly linked to concessions and impasses in negotiations. The magnitude of this linkage and its variation between negotiators' relationships illustrates the importance of factors (such as relationship maintenance and the incentive to get referrals) that define real estate agents' roles and future success. Unethical behavior is common in real estate negotiations, however it is not widespread as a form of retaliation, unlike what was found in lab studies. When agents do exhibit such behavior out of frustration or anger, it can be harmful to the agents who are recipients of such behavior by

damaging their network and therefore their ability to do business. Furthermore, it must be noted that the effects (largely impasses and unethical behavior) of emotional expression in real estate negotiations appear to be motivated by one's *own* feelings, rather than by the emotional expression of one's counterpart.

These findings are consistent with the idea that the client is the holder of power in the client- agent relationship, and the agent is incentivized to please their clients to obtain repeat business and get referrals, ultimately benefitting the agent financially through the retention of a large and consistent client base. Furthermore, agents' relatively smaller magnitude of emotional influence on negotiation outcomes in negotiations with one another (compared to with clients) supports the fact that agents cannot act on their own accord based on agents' behavior in negotiations. Again, this speaks to the power of the client and the role of an agent to cater to his or her client's needs.

BACKGROUND

Lab research performed by B. Törestad on the general triggers of anger provides valuable insight into what can cause anger in the context of real estate negotiations. This research led to the compilation of common factors or situations that cause anger, of which some are very relevant to this study of anger and frustration in negotiations: self-opinionated people (those who do not listen to others' arguments or do not take others' opinions seriously, insults, the demise of one's plans by another party in control, arguments, and general frustration (participants frequently cited nonspecific environmental triggers of anger). These triggers of anger found by Törestad prove to be present in many of the situations in which emotion was subsequently expressed in this study, as reported by real estate agents.

In addition, there exists much research on emotions, particularly anger, in the context of negotiations that has been performed in a lab setting. Expanding upon such lab studies, this research focuses on emotions in negotiations in a real estate field setting, which has not previously been explored by scholars.

Research done by Dr. Jeremy Yip and other negotiations experts highlight many aspects of human behavior that have been proven to hold true in a controlled lab environment. Yip's research concludes that expressions of anger and competition serve to increase the rate of impasses (Yip & Schweinsberg, under review). This is because if a negotiator encounters an angry counterpart, he or she will perceive them to be selfish. Therefore, the negotiator is more likely to choose an impasse in order to punish the person who is expressing anger, even if it is costly to the person choosing to impasse.

This study will assess whether or not variables that are applicable to the real estate field setting will result in different phenomena as what has been found in the lab. It is possible that real estate agents are more willing to complete a deal (than participants in a lab experiment) due to client-related and financial incentives and therefore will not choose to impasse in response to an angry or frustrated counterpart. The interpersonal skills required in order to maintain a career as a real estate agent may also encourage an agent to be more tolerant of their counterparts' expression of emotion, thereby making it more likely than an agent will complete a negotiation compared to participants in a lab experiment.

Previous lab research has also shown that anger is associated with value claiming (Van Kleef, De Dreu, & Manstead, 2004). Specifically, the counterpart of the person expressing anger in a negotiation was shown to give up larger concessions compared to those who experienced a counterpart who did not show emotion. Conversely, those who negotiated with a happy

counterpart made even more miniscule concessions. This is because when a person is negotiating with someone who expresses anger, they perceive them as having stricter limits and in order to avoid an impasse, he or she concedes. Negotiators read their opponents' emotions and change their behavior accordingly.

Real estate agents rely solely on commissions received from buying and selling of their clients' houses as their sources of income. What must be noted, however, is that they are free to give up some of their commissions to other parties as they see fit. This adds an interesting element to real estate negotiations because agents must choose when and how to concede value if they feel it is necessary. For example, if a deal goes to settlement and a buyer and seller cannot come to an agreement on a detail (that, without being resolved, may result in the termination of the deal), one or both of the agents involved may contribute some of their commission to one of the parties. Motivation for agents to take such action is to avoid the sunk costs associated with a deal being terminated so far along in the process—as agents place immense value on their time (which also drives their return on cost in any given deal). This field research will investigate the role of such thought processes and if emotions displayed by clients or agents leads to such concessions made by agents.

The studies done by Van Kleef, De Dreu, & Manstead (in a subsequent experiment) also tested the role of epistemic motivation in negotiations. The study that these researchers performed sought to uncover whether or not negotiators' reactions to anger were regulated by such cognitive factors, such as time pressure (which increases people's desire to obtain closure). It was found that “negotiators only react to the opponent's emotion in a strategic way when they are motivated to consider the implications of the other's emotion” (2004, 524). This is to say that under time pressure, people are less likely to process information, including reading of a

counterpart's emotions, thoroughly and accurately. Therefore, it was concluded that time pressure moderates the effect of emotion on negotiation.

While the effect of anger in negotiations in the presence of time pressure proved to be significant, this was also part of a lab experiment. In a field setting, time pressure is also likely a factor, as real estate agents need to produce results in a timely manner in order to make progress for their clients. Time may function in various ways in a professional setting. For example, a real estate agent may be under time pressure to produce results for clients within a few days, however the agent may have set aside a long period of time in which he or she designated to negotiate with another agent, minimizing immediate time pressure of the actual negotiation (while retaining a longer term time pressure in which the agent must inform clients of results). This research takes time pressure into consideration and as potentially playing a significant role in leading to concessions in a field setting, as for real estate agents, time is their money because they desire to maximize their return (specifically commission) on cost, which is their time spent on any given deal.

It has also been found in lab experiments performed by Wang, Northcraft, and Van Kleef that anger in negotiations has also been linked to retaliation. If a person negotiates with an angry counterpart, he or she may be persuaded into making steep concessions and feel mistreated. This feeling of dissatisfaction revolving around mistreatment can lead that person to want to seek revenge covertly later, showing that feelings surrounding being treated fairly do play a role in negotiations (2010). The covert aspect of this retaliation is significant in the sense that this form of retaliation comes at a significantly smaller risk compared to overt retaliation that can often lead to reputational harm amongst other negative consequences. Therefore, the less risky, discreet form of retaliation, may be more prevalent amongst real estate agents for whom

reputational harm can be detrimental to their careers. This research will test for the prevalence of retaliatory acts as a result of anger in a negotiation, and what the nature of such behavior was, if present.

Because covert retaliation is less risky than overt retaliation due to its anonymous or otherwise hidden nature, it is quite possible that this retaliation will be largely unethical (as much retaliation is unethical, particularly in a professional setting when other people's interests may be harmed), thus linking anger expressed in real estate agent negotiations to unethical behavior. Again, these findings on the existence of a link between anger expressed in negotiations and unethical behavior will expand upon that found in the lab, adding much insight into these findings, as the risks of retaliation (whether covert or overt) are higher for real estate professionals in a field setting compared to participants in a lab experiment.

Other lab studies on anger in negotiations, performed by Allred et al., participants were instructed to negotiate a job contract. Experimental conditions created a negotiation environment that prompted negotiators to believe that their counterpart was responsible for negative negotiation behavior, as well as a control (in which a negotiator was not meant to view his or her counterpart as responsible for such negative behavior). It was found that "the more anger and less compassion negotiators felt for each other, the less willing they were to work with each other in the future" (1997, 184). This is to say that when the negotiators in the experimental group (who perceived their counterparts as exhibiting negative behavior) had less of a desire to work with that counterpart in the future.

This study will indirectly examine whether or not the findings of Allred et al. hold true in the real estate field setting in which the maintenance of relationships for future business is a key component of success for agents. Because agents rely heavily on repeat business and referrals

(from their existing clients) and often negotiate with the same agents in various transactions over time, counterparts' perceptions of agents' behavior may be crucial in allowing an agent to achieve continued success. This study also investigates the relationship between emotions expressed in negotiations and outcomes regarding the nature of highly-important repeat and network-based business to a real estate agent.

Overall, while much research exists on topics that are related to this topic, particularly anger in lab negotiations, there is a gap in knowledge as to whether or not these findings hold in a field setting. Aside from discovering if these findings hold, the practical significance of this research will provide much insight to real estate professionals and guide them in their attempts to create value through their expressions of and reactions to anger in negotiations with other real estate agents.

METHODOLOGY

Sample Population

Any licensed real estate agent was eligible to participate in this study. Participants were initially recruited via QuakerNet, the University of Pennsylvania alumni database, which allows affiliates of the institution to search for and obtain contact information of one another based on a variety of criteria. In this case, "real estate agent" was entered as the filter.

Due to the low response rate of Penn alumni, additional participants were recruited in a different manner. The remainder of the participants were recruited through their respective brokerage websites, as many brokerages list the email addresses of their affiliated realtors.

Recruitment

Once potential participants' email addresses were obtained, they were each sent an initial recruitment email, outlining the purpose and methodology of the study, as well as general confidentiality procedures. Real estate agents' responses ranged from immediate offers to help to requests for more information on the study. Some also mentioned that they just recently became an agent or are retired and would not therefore be a good fit for participation in the study. After varying degrees of back and forth with the interested agents, over thirty agreed to participate. A few of these agents ended up renegeing, so the final sample population consisted of 28 agents rather than the target of 30.

Structured Interview Process

Appointments were set up (via email communications) for the structured interviews to take place on the phone, during which the data was collected. Participants were called via Skype software. Upon answering, participants were reminded that they would be recorded for the duration of the interview. A computer program called Skype Recorder was then employed to record the reading of a short consent form and the interview.

The consent form outlined the risks of the study, which were limited in this case. Confidentiality procedures were also outlined, and participants were instructed to verbally give their consent to participated and be recorded.

Then, the structured interview began. Participants were first asked to describe an instance in which negotiation with a client became emotional and how this influenced the negotiation process. After that, interview questions became focused on anger, frustration, annoyance, as well as instances of concessions, impasses, and unethical behavior in response to the expression of

such emotions in negotiations with a client. For the purposes of this study, frustration and annoyance are classified as milder forms of anger.

The interview then shifted its focus to agent to agent negotiations. The same questions that were already asked (about agent to client negotiations) were repeated, except as they pertained to agents' negotiations with one another.

Finally, agents were asked a few demographic questions such as their age, amount of experience as an agent, and range of property values for which they buy and sell homes.

Interviews lasted anywhere from approximately ten minutes to over an hour, depending on the nature of participants' responses. For example, participants who answered in the negative for many of the questions provided few stories (compared to those who could recall instances of emotional expression), resulting in shorter interview times. The average interview time was approximately 30-40 minutes.

After participants were interviewed, the recordings were saved with an arbitrary identification number assigned to the digital file in its title. This ensured confidentiality and the organization of the collected recordings.

Data Analysis

Once the interviews were complete, they were coded in an Excel file to count for instances of various types of emotional expression and the consequences of such. Each question that was asked during the interview was associated with two columns. The first column was populated with a descriptive quote said by each participant (with each participant having his or her own row in the spreadsheet) pertaining to that question. The next column would then contain either zero, one, or "N/A," corresponding to the idea that such an instance (of emotional

expression or an outcome of emotional expression) did not occur, did occur, or it was not disclosed one way or another.

The quotations presented in the findings provide context as to the details of emotional expression and its effects, while the numerical values are used to assess the rates of occurrence of expressed emotions and their outcomes, which will be discussed in detail in the following sections.

FINDINGS & DISCUSSION

Client to Agent Negotiations

High Instances of Emotional Expression

Agents reported emotional expression in client to agent negotiations at a rate of 88%, with two thirds of these agents citing instances of frustration or anger, and the remaining third describing instances where either the client or agent became “upset.” Three agents also mentioned “stress,” which often manifested itself in connection with frustration or anger. Happiness and other positive emotions were only described as being expressed at the end of negotiations—after other, negative emotions had been displayed but the outcome satisfied the clients (see Appendix).

Insert figure 1 here.

One agent described her client as becoming upset in the midst of an issue related to the removal of expensive fixtures from a condo that her client was purchasing:

"It was a very high-end [condo]... all the finishes were all high-end. The day that I had to do the walk-through for the client because he was out of state... in the two bathrooms [the sellers] took away designer mirrors over the sinks... I knew that they were good quality mirrors... I felt if [the buyer] could somehow get some compensation for the mirrors, it would not be that big of a deal, or if the sellers could bring the mirrors back or whatever... the issue was it was part of an inclusion in the contract... I could tell the

[buyer] at the table was upset about it. I could tell by his answers, he was giving me one-word answers... he was really agitated... basically he was so upset about this lacking bathroom mirrors that he wanted to delay settlement... It was a knee jerk reaction of his... I felt like he could take a credit or he could do something... the new trade law doesn't permit any closing statement to be altered within five days of settlement... so I needed to have the sellers put the mirrors back in place. But I also explained to him that if he was going to delay the settlement, he may have a rate lock in. He just was absolutely livid and didn't care, he said 'I'm just not settling it's not going to be today' ...he was more than a little uptight in the conference room with me. So we went back and he said I'm not settling today... and that's when he had a great mortgage person and the mortgage person took him aside and said that's when his rate lock would be up and he would have to pay substantially more for the rate lock [if he didn't settle].”

After the buyer was informed of the expiration of the interest rate lock if settlement was in fact delayed, the agents tried once again worked together to appease the client in order to convince him to settle and thereby still receive the interest rate lock that he had been promised before. What eventually happened was relayed by the agent as follows: “The sellers refused to replace [the mirrors]... as time went on we weren't gonna get it done... and I had to say ‘What's the most your seller will give?’ and the most her seller would give was \$250 and I said, ‘Would you be ok with Restoration Hardware mirrors?’ And they were \$780... The other agent agreed to split [them] with me.”

This anecdote illustrates the emotionally fragile nature of clients during the home buying or selling process. The exclusion of two mirrors—in comparison to the price of the ‘luxury’ condominium that this person was buying—should seem to be negligible from the perspective of a rational negotiator. In this case, however, the removal of the mirrors inclined the buyer to want to delay settlement after expressing great amounts of emotion, upset and agitation in particular.

Additional instances of anger and frustration, which account for the two thirds of emotional occurrences in agent to client negotiations, and their effects, will be discussed further in following sections.

Emotion as a Product of the Home Buying and Selling Process

It must be noted that in the majority of instances of clients' emotional expression described by real estate agents, clients' emotion was not directed at the agent, but rather at the home buying or selling *process*. This cause of emotion is consistent with the nonspecific, environmental trigger of anger discovered by Törestad in the lab. The aforementioned anecdote provided one example of a client's fragile nature in which his agent was not the cause of emotional expression, but rather the situation. Similarly, in many cases, clients' expression of emotion in negotiations with agents is a product of the situation on a larger scale, and clients often use agents merely as an outlet through which they can release their inner tension. It therefore makes sense that agents often have to bear the brunt of these emotions, as agents and clients work together quite closely throughout the home buying and selling process. On the whole, agents frequently described three key aspects of the process that serve as drivers of clients' emotion: the magnitude of a home investment, multiple offer scenarios, and the home inspection process.

For most clients, a home is the most valuable asset that they will ever own. One agent stated that "this is really the biggest purchase they make [so] there's such a huge tie-in with money and stress. So it's mostly just stress anger that comes out during this process... It just becomes this clash of personalities... so it's all this third-degree anger." This is to say that the financial implications on home buyers (or sellers) associated with committing to the largest purchase (or sale) of one's lifetime inherently prompt sentiments of stress and other negative emotions that manifest themselves in various ways throughout the negotiation process.

Multiple offer situations are also key contributors to the highly emotional state of clients, for buyers in particular given that many of the agents interviewed for this study had been dealing in a ‘seller’s market’ at the time of their participation. The implication of the recent existence of a ‘seller’s market,’ (which merely represents a point in the market cycle) is that in many cases, there exist multiple offers from buyers on a given house, leading to bidding wars between buyers who are simultaneously vying for the same home. Buyers may lose multiple bidding wars—thereby sacrificing much time and energy on finding homes and submitting offers that eventually fall through. These buyers also may frequently endure the disappointment of losing out on one or more houses that they had desired before finally purchasing a home successfully. This is exhausting for buyers, who are already prone to being emotional thanks to the other factors (including the aforementioned financial burden of such a large investment) that make up the home buying or selling process.

Two real estate agents discussed precisely this phenomenon and its impact on buyers’ behaviors, specifically their propensity to overpay out of emotional distress:

“We entered a multiple offer situation and [the client] was just so tired of looking at houses that we ended up raising our bid an extra \$15,000... [The] emotion would be tired and exasperated. Basically, she put up \$15,000 to not have to deal with the emotional stress of losing another offer.”

Another agent described the commonality of multiple offer situations and possible uptick in price more generally: “We are in a seller's market... It's buyers up against each other... Now a \$400,000 house is listed for \$395,000... and now you get multiple offers... but one person doesn't know that but that's how you push the offer above because of the emotional stress of just having

to buy your home that matches all of your criteria... The emotion is stress and just like I don't want to do this anymore.”

The third significant driver of clients’ emotions is the result of the home inspection process. Because the home inspection occurs after a seller has already accepted a buyer’s offer, many buyers and sellers believe (at the time of the inspection) that the deal is set in stone—and are unaware of the extent to which the home inspection may introduce new issues. Such issues including unforeseen repairs will often place a hefty financial burden on one or both of the parties involved in the transaction.

One agent described a common scenario in which a home inspection uncovers issues with a house that lowers its value. Subsequently, the parties are often unable to engage in a renegotiation of price (due to mortgage underwriting constraints that render the mortgage value unchangeable). This, in turn, leads to a negotiation in which the buyer and seller must allocate how much each will pay for repairs. If the parties cannot come to an agreement, the buyer may be inclined to back out of the deal altogether.

“The negotiations re-open up [after the home inspection results are revealed]... So now we are talking about price again. and you can change the price but technically you should have already applied for your mortgage and the mortgage has to be for the price listed in the contract... So you need to get money back at closing... and that's when it gets really emotional... The inspection is where most realtors say deals go to die because the inspection is really the biggest hurdle and that's where it gets really emotional. Then it's the buyer's decision because the seller is not going to help [the buyer], [the seller thinks] ‘I gave [the buyer] a great price’... [Then the buyer must decide], ‘Do I eat the cost or do I drop this and go find another thing?’ And that's where emotions really come into play.”

These sets of negotiations surrounding home repairs can be extremely emotional because the depending on the outcome, can lead to significant costs (often for the buyer)—on top of the hefty amount that he or she is already spending to purchase a home. Furthermore, because the home inspection takes place after the seller has accepted the buyer’s offer, buyers are often not

mentally prepared for huge deviations from the price that was initially accepted by the seller. Overall, the additional costs associated with the home inspection lend themselves to increasingly emotional clients because of the already large-scale nature of a home purchase can grow substantially as a result of the home inspection and a seller's unwillingness to contribute to the cost of repairs.

Influence of Clients' Emotions on the Negotiation Process and Outcome

A central question that this study raises is whether or not these expressed emotions in client to agent negotiations influence the process and outcome, and if so, how.

Insert Figure 2 here.

82% of agents who reported the expression of emotions in client to agent negotiations said that this expression of emotions does influence the negotiation process. The primary change (compared to an unemotional negotiation) noted in the process was its speed. Many agents reported that once they observe their clients becoming emotional, they must respond by slowing the negotiation down by advising their client to take a break from the negotiation in order to cool off.

One agent described a client as "stressed and scared and angry," and that this client was consequently "texting [the agent] that she was crying. In response, "it made [the negotiation] go slower because [the client was] being so emotional... I was like you need to take the night to rest and think about it... So it definitely made it go slower."

Another agent reported a similar phenomenon in such a way as to illustrate the actual effect of opting to slow the negotiation process down in response to an emotional client. This agent reported telling an emotional client, "You need to take some time to think about what's

going on because it's not an emotional game, it's a numbers game.” In this case, it was clear that the purpose of instructing the client to take time to cool off was to promote the making of rational decisions based on *numbers*, not emotions. Had the agent not instructed the client to pause the negotiation, the client may have been inclined to make a decision based on emotions rather than numbers, which may have led to a less than favorable outcome for the client and agent in the long run.

71% of agents reported that the expression of emotions in client to agent negotiations does influence negotiation outcomes. Of the 29% of agents who reported no change in the outcome based on emotions, many reported that the slowdown of the negotiation process was successful in removing clients’ emotions from the decision making process. One agent mentioned that “because we left overnight... [emotions] didn’t end up affecting the actual transaction.”

For the majority of agents, however, it appears as though taking a break from negotiations does not always shield negotiation outcomes from the influence of client emotions. The specific type of influence that clients’ emotions had on the negotiation outcome was of two types; some clients became more willing to accept suboptimal offers, while others became more stubborn and aggressive in their demands as a result of becoming emotional.

One agent mentioned that “the seller accepted probably a few thousand [dollars] less than they originally desired” after becoming extremely emotional in response to a buyer’s offering of a very low offer on their house.

Conversely, another agent reported that “when [the seller] got emotional, they probably dug in their heels more than they should have.”

Overall, what drives these two different schools of emotional influence on the negotiation outcome seems to vary based on clients' personality types as well as the situation, making this aspect of the study somewhat inconclusive while also speaking to the nature of personality type as a significant variable in such a negotiation situation.

Concessions and Impasses are Somewhat Linked to Emotional Expression

Consistent with the existing lab research on emotions in negotiations, concessions and impasses appear to be linked to emotional expression. It must be noted, however, that although these links are existent, they are mild (see next section for further discussion) and such behaviors are often motivated by more intrapersonal factors (rather than interpersonal) relative to what has been observed in the lab.

Insert Figure 3 here.

Of those who reported the presence of anger or frustration in clients to agent negotiations, 64% of agents reported that they have made concessions to frustrated or angry clients. One agent noted that “at the end of the day, I want [the] client to have a good experience. If I think it's reasonable what they're asking for, yes I will sometimes concede commission. If they aren't getting what they asked for... it is more important that he be satisfied at the end of the day with the outcome of that transaction than even if I look like I'm going to be fronting most of the concession. That to me is the most important thing.”

Most of the agents who said that they have given concessions to a frustrated or angry client provided similar reasoning, speaking to the need for agents to please clients in light of the fact that agents work in a very client-centered and referral-based business. This is to say that agents believe that it is worth giving up value on a transaction in order to retain clients who will

presumably give these agents repeat business (as well as new business through their referrals of agents with whom they enjoy working) in the future.

60% of agents reported the termination of a negotiation based on a frustrated or angry counterpart. Incidences of agents ending negotiations with clients, however, rarely occurred as a form of punishment to an angry client. Rather, most reports of agents ending negotiations with clients were motivated by *agents' own* frustration with or anger toward a given client. Many of these reported terminations of a negotiation were instead due to the fact that a client would not listen to an agent's advice or because a client was taking up too much of an agent's time for the transaction to be worthwhile for the agent.

40% of agents, on the other hand, feel that it is their "obligation to negotiate on their [client's] behalf," and therefore would not end a negotiation regardless of emotional expression.

Clients, similarly, reportedly terminate deals based on their *own* emotions, not based on the expression of emotion by their counterparts.

One agent reported that his client was willing to give up a significant deposit by terminating a negotiation due to his own emotional state:

"My client, the buyer, runs his own construction company, and when I arrived at the closing, I got a text message from him telling me that one of his employees had been very seriously hurt at a construction site and he was on his way to the University of Pennsylvania hospital and that [his employee] was in critical condition and that [the client] couldn't make the closing... We had one issue in all the negotiation [regarding a commercial lease for a portion of the property]... But then the unfortunate accident happened and my buyer did not make it to closing... I wrote up an addendum to the agreement of sale asking for an extension for the closing date and to even offer \$1,000 in additional earnest money to show the case that we would make the next closing date and that it was unforeseen circumstances that caused [the buyer] to miss the first one. [The seller] came back and attempted to reintroduce the lease issue as a condition of giving us the extension and my client reacted to it by terminating the sale. He felt that they had used the unfortunate situation that caused him to miss [the original closing] as a way to get the lease extension signed again and he felt he had been used and we made a good faith offer of an additional thousand dollars in earnest money but he decided he didn't want to do business with these people and he instructed me to terminate the sale... When

I informed the other party that that was the case, that he was emotional and easily prepared to walk away from his \$3,000 original earnest money, I said that I would terminate in a method that demanded that that be returned because I was protecting his interests... My client got very upset because he felt that they were attempting to pull a fast one or use the unfortunate situation... He definitely put emotion above business [because he was prepared to walk away from his \$3000 earnest money], he said he didn't even care about that he just didn't want to do business with these people.”

This anecdote shows the link between a client’s own emotions and their decision processes, particularly as they pertain to a situation in which the stakes are high. This client was willing to give up a property and a significant amount of cash, as well as endure the sunk costs associated with the time and energy already put into the deal simply because he did not want to work with this seller anymore after he reintroduced the issue of the commercial lease. This again speaks to the intrapersonal influence of emotions on negotiations and impasses in particular where the consequences can be substantial.

Furthermore, the agent’s request to terminate the sale in a way that would recover the earnest money for his client supports the idea that agents, on the whole, negotiate in the interests of their clients to provide the best possible experience for their clients in hopes of retaining their business and obtaining referrals from existing clients.

Drivers of the Relationship between Emotional Expression and Concessions, Impasses:

Agents’ Divergent Schools of Thought

While there is a connection between the expression of anger and frustration and concessions and impasses, the mild strength of this linkage should be evaluated in the context of agents’ negotiating styles and client relations.

Some agents try to manage their clients’ emotions. This is consistent with the notion of instructing clients to pause the negotiation whenever they become emotional as to minimize the

effect on the negotiation outcome. This emotional management contributes to fewer instances of concessions and impasses on an agent's behalf. Illustrating this idea, one agent reported the following:

“My clients typically don't get emotional with me because we set expectations very early on... set a plan so that we can always get back to it if the emotions run a little high... you set those expectations and you say I may look like the bad guy because I'm telling you what you need to hear, not what you want to hear. And having those conversations up front really can set the stage for ongoing discussions between agents and client.”

This agent's negotiation style attempts to both minimize the presence of clients' emotions and the potential influence of such emotional expression. Such goal-setting represents a proactive approach that accounts for agents' avoidance of making concessions to clients, even in the face of their emotional displays.

On the other hand, as mentioned in the previous section, the referral-based nature of real estate agents' business drives agents to make concessions—despite the fact that this will result in an agent sacrificing value in a given transaction. One agent's description of his philosophy summarizes this idea: “I don't get tied up in any one transaction... I'd rather lose a particular deal than lose a client... I'll never tell clients what to do... it's about the clients.”

This is to say that the retention of a client for future business and consequently value (that an agent will make on future transactions with a given client) makes it worthwhile for agents to make concessions or behave in such a way as to give clients the best experience possible.

Unethical Behavior Occurs, but Not Often Linked to Emotional Expression

It is clear that unethical behavior occurs in client to agent negotiations, however no agents reported themselves as being the perpetrators of such unethical behavior. Approximately half of the real estate agents reported that clients exhibit unethical behavior in negotiations, but

only 30% of agents who reported the expression of emotions in client to agent negotiations mentioned clients exhibiting unethical behavior as a result of frustration or anger.

Much of the unethical behavior that is *not* emotionally motivated was reported to revolve around clients telling agents “some lie in their financial situation.” The consequences of this unethical behavior vary in severity depending on the lie. Sometimes agents find out that their clients cannot obtain a mortgage and must terminate deals far along in the process—resulting in significant sunk costs (such as time) for agents.

A lack of seriousness in buying or selling a home, while not actually punishable, is another example of unethical behavior exhibited by clients. One agent reported that after spending a great deal of time working with a couple (and after putting in an offer on one house), the couple revealed their true intentions—which were not to buy a home as they had fooled their agent into thinking. The agent reported that the couple told her, “We never thought they’d accept our offer, we don’t really want to buy the house.” This agent then went on to say that it made her “realize that they never really had any intention of buying a house it was just like a fun thing for them to do was look at houses.” This is yet another example of clients, while they may or may not have understood the consequences of their behavior, forcing their agents to bear large sunk costs and no return.

Similar to the findings on the links between emotions and concessions and impasses, when emotionally-triggered unethical behavior occurs in client-related real estate negotiations, it is largely of intrapersonal or selfish nature. This is to say that of those who exhibit unethical behavior as a result of emotion, it is often done by the person who is feeling emotional, not toward an emotional counterpart.

A clear example of such a phenomenon was reported by one agent, who consequently had to terminate his dealings with this client: “[The seller] was not happy with the offer that had come in... he really needed to accept the offer even though it was lower than he had wanted... he instructed me that he was going to be removing parts of the house like countertops and cabinets... because he felt that the price that was offered was less than what he was willing to take.” Here, the client felt wronged and therefore emotionally charged himself, and consequently resorted to unethical behavior in an attempt to capture some of the value that he felt he was missing out on by accepting an offer that was lower than what he desired. While his actions may have harmed the buyer of his home, the motivation behind this seller’s behavior were his own emotions and selfish interests. This seems to be a common theme amongst clients who exhibit unethical behavior, as reported by agents.

Agent to Agent Negotiations

High Instances of Emotional Expression: All Who Reported Emotion Cited Anger, Frustration, or Annoyance

When asked about agent to agent negotiations, 79% of agents reported that emotions are expressed. Of these respondents, all reported instances of anger or frustration—only one agent (who also reported anger) in the entire sample cited another emotion: excitement (see Appendix). Yelling and changes in tone of voice were commonly reported as means of emotional expression in phone calls and face-to-face meetings. Agents also mentioned snide or angry emails as telltale signs that the other agent was angry or frustrated (also see Appendix).

Insert Figures 4 & 5 here.

It is important to note, however, that while 68% and 55% of agents reported that emotions influence the negotiation process and outcome, respectively, the influences were much smaller in magnitude compared to those on client to agent negotiations.

Like in the case of client to agent negotiations, most of the influence of emotions on the negotiation process is a slowing down of the process. One agent reported the following scenario:

“In a recent transaction I was working with an agent who was frustrated... and didn't take the time to learn once the inspection had been done what it actually had meant... the inspection had a note that the water heater was installed incorrectly... [the builder is] required to fix material issues... and anything that doesn't fall under those categories, the builder isn't obligated to fix... [the other agent's] response was 'I don't understand, the builder is unethical, why is he doing this'... so I did lose my temper and I stated that as a matter of fact the builder would fix [something else] and any item not under this category would not be addressed.”

According to the listing agent's report, the sole influence of the heated exchange on the negotiation, however, was merely that he “didn't hear from [the other agent] for a couple of days.” This provides insight into the lesser magnitude of agents' emotions on negotiations with one another.

Another example of emotions playing a minimal role in the negotiation process and outcome, despite their existence, was reported by another agent who had spoken of a generally tense negotiation process on a given deal: “the tone and the verbiage and the fast-paced speech told me that [the other agent] was frustrated and annoyed and very angry at me... [She] talked over me a lot... It just made it uncomfortable for me to talk to her on the phone because it took a lot of energy to respond to her annoyance and frustration and anger... so I chose to respond in emails only and not speak with her.”

Again, while this agent's response to emotional expressions by her counterpart resulted in a change of communication method, however the communication remained in place and the

transaction was able to proceed normally in other aspects, as this agent did not feel that it would be right to terminate the deal based on another agent's expression of frustration or anger.

Drivers of Agents' Emotions

The drivers of agents' emotions were largely reported to stem directly from other agents' actions, another separator from the emotional drivers of clients (which are largely process-based and less personal).

One agent reported: "The emotion between the agents only really rears its head when one agent is being unreasonable, they allow emotions to take over... that's usually the only time emotions are brought into it."

Such an example of this is when an agent submits a low offer. While the value of this offer is largely determined by the buyer, agents can express their frustration towards the agents who presented this offer. One agent noted the following: "Often when I put in offers, agents get upset and say what are you talking about why are you offering so low?... They'll calm down and it goes from there." The fact that the agent mentioned her counterpart calming down and continuing the negotiation again illustrates the minimal influence of emotion on negotiations.

An agent also reported that "a lot of these issues happen in multiple bid scenarios," consistent with the findings of client to agent negotiations, where multiple bid situations are also a key driver of clients' emotions.

Similarly, another agent reported that in a multiple bid situation, her "seller chose a different offer. [The agent] called me up and started screaming at me on the phone." While in this case, such actions have no ability to affect the negotiation (because there was no longer a negotiation to be had), it is clear that multiple bid scenarios drive such emotional expression.

Links to Concessions and Impasses due to Agents' Emotional Expression are Low

While more than half of agents did report the influence of emotions on negotiation outcomes, breaking this number out into influences on concessions and impasses (and unethical behavior, which will be discussed in the next section) actually reveals a slightly different story: links between emotion and concessions and impasses are low—and when existent, somewhat minute. 32% of agents have reported making a concession in response to an angry or frustrated agent, and only 23% reported an instance of an impasse for the same reason.

Insert figure 6 here

One agent reported making a concession of \$200 to an agent: “[This is] where I invest in my relationship with other agents...that \$200 will come back to me at some point in the future because the other agent will remember me and say I wanna work with this guy.”

It must be noted, however, that such a concession is relatively small compared to those made by agents to clients, as discussed in the section on concessions in client to agent negotiations. This speaks to the fact that agents' behavior plays a smaller role in determining negotiation outcomes relative to that of clients. This is a key distinction that accounts for the nature of the client to agent relationship, in which it appears as though clients hold a substantial amount of power relative to agents (as one would expect).

Overall, the more typical sentiment of agents (and their reluctance to make concessions in response to an emotional agent) is characterized by the following quote: “I will never concede something on my client's behalf because the opposing agent is acting poorly. If anything is ‘given up’ on our side, it is done so based on facts and the truest sense of good-faith negotiations, but never based on an angry or frustrated agent.” This is consistent with previous anecdotes on

the idea that the client must be the first priority whose wellbeing is far more important than taking action in response to an emotional agent.

Even fewer agents have reported instances of impasses, in accordance with the fact that agents' emotions have smaller influences on negotiation outcome relative to those of clients. Impasses, because they terminate deals, have much more significant implications on agents and clients relative to concessions (which can be as small or large as an agent desires), and therefore must be made very sparingly. Impasses can also lead to hefty sunk costs for agents and clients (such as lost time and commission, and damaged relationships), therefore agents are inclined to remain in a negotiation even at the expense of dealing with an emotional agent in order to avoid such sunk costs. One agent said, "I put my ego to the side and just negotiate," which sums up this sentiment of negotiating regardless of emotion.

Agents may pause a negotiation (as mentioned in the effects of emotions on the negotiation process), however they will not choose to impasse in most cases. One agent mentioned the following: "[I] try to put some time in between that situation and say this isn't a good time but I can talk to you in a couple of hours... it's my client and their interests that we are after." While this is reminiscent of client to agent negotiations findings, the time horizon for such pauses in the negotiation process between agents was reported to be much shorter, lasting a couple of days at most.

Unethical Behavior is Widespread, but not as a Reaction to Emotional Expression

Consistent with the findings of client to agent negotiations, unethical behavior is widespread, however not as a reaction to a counterpart's emotional expression. 72% of agents reported the existence of unethical behavior in agent to agent negotiations, and two specific

behaviors seemed to be common: breach of fiduciary duty and dual agency (with unethical intent of keeping a greater amount of commission).

Insert Figure 7 here.

Agents are understood to be fiduciaries of their clients, which is included in agency agreements signed by clients and agents upon agents being hired by a given client. This is to say that agents must negotiate on behalf of their client, and therefore must selectively disclose information to their counterparts. Sometimes, agents disclose too much information, however, which can give the opposing party a significant leg up in the negotiation process. One agent reported that another agent “let things slip about how much [her client] liked [the house] and this and that... [The agent was] not fighting as hard for her client as she could've... [and was] saying too much.” This disclosure of information gave the opposing agent the ability to capture more value, knowing that the buyer was very interested in the property that she was listing. This happens relatively frequently, and agents do not hesitate to capitalize on this additional information in order to swing a given deal in their favor.

Another form of widespread unethical behavior amongst real estate agents revolves around commission. Agents reported various schemes in which other agents try to wrongly keep more commission for themselves than they should be entitled to receiving.

One such example not only harms other agents, but also can implicate an agent’s client (again, a breach of fiduciary duty). One agent explained the following scenario:

“Listing agents see giving up half of the commission to the buying agent as a loss... [so they] make the property inaccessible [to other agents by setting up communication barriers such as not answering calls or emails] so prospective buyers are tempted to reach out to [these] listing agents directly...the listing agent then becomes agent for the buyer as well as the seller... [then this agent] can keep all of the commission... [but the implication for the seller is that the] seller ends up potentially missing out on other offers.”

As this agent mentioned, the seller can lose out on potential offers that might have been made had other agents had access to showing the home to their respective client bases. Instead, agents who engage in such schemes rely exclusively on prospective buyers reaching out to them directly—limiting the scope of the potential offers on the property. When there are two agents involved (which is typical), the norm is to split the commission (usually making up 5-6% of the home price) evenly between the two agents. Once the listing agent also becomes the buyer's agent in the transaction, however, this listing agent keeps the entirety of the commission made from the sale. This makes such a scheme profitable for agents, as they double their return on cost for a given transaction.

23% of agents reported unethical behavior as it is linked to frustration or anger, although (like in client to agent negotiations) this is often of intrapersonal nature. In such instances, angry or frustrated agents will exhibit unethical behavior out of their own emotional state. While this rate of emotionally-triggered unethical behavior is low, there seemed to be a strong common theme regarding the type of unethical behavior that occurs. In many cases, agents reported that if they have had an unpleasant experience with another agent (which resulted in the agent feeling angry or frustrated), this agent will be less inclined to work with the other agent in the future. This means that agents who became emotional due to another agent may be reluctant to show the other agent's listings, which can implicate the agent's network and ability to receive all potential offers for his or her client. One agent reported: "I think if an agent is really terrible to work with it does influence my desire to market and show their future listings."

Similarly, another agents mentioned that other agents will warn each other not to work with a given agent (which has the same adverse effect on the agent's ability to do business): "They communicate to other agents 'don't work with her' or 'she's sleezy.'" The referral-based

nature of agents' business creates significant implications for those who are impacted by such behavior. Furthermore, if an agent decidedly refuses to show another agent's listings (out of emotion), the agent who makes this choice is forcing his or her client to miss out on seeing and buying a home in which the client may have otherwise been interested. The reluctance to work with a given agent in the future are consistent with the findings of Allred's et al.'s lab research in which negative perceptions of counterparts in a negotiation decrease a negotiator's desire to work with that counterpart in the future.

Overall, despite, the small percentage of agents who engage in such practices, the implications of such emotionally-motivated unethical behavior may be substantial to both clients and other agents.

Limitations

This study was subject to a variety of limitations that may be partially or fully controlled for in future research on emotions in real estate negotiations. The limitations that impacted the results were participants' amount of experience as agents and the price points with which they deal, as well as broader psychological factors such as self-disclosure and social desirability.

Experience

Participants ranged in work experience as real estate agents from a year to 38 years, with an average of 9.7 years (and a standard deviation of 7.6 years). Several agents noted that "there's a lot less yelling from experienced agents; [they] don't get as tied up in one specific transaction than newer agents do." This fact may have implicated the findings in the sense that more experienced agents may have been unable to recall instances of emotional expression

(particularly in agent to agent negotiations) because such instances have not occurred recently. Furthermore, the sentiment was that more experienced agents are better able to keep their emotions in check and thereby limiting the effects of emotions on negotiation outcomes.

Conversely, the newer agents may have reported higher rates of emotional expression and consequences compared to what the true 'norm' is in real estate agent negotiations. It would be useful for future experimenters to categorize participants by amount of experience and analyze the expression of emotion in real estate agent negotiations as it pertains to experience.

Price Point as a Driver of Social Norms

Participants varied wildly in the range of property values with which they have dealt. The average home price within this sample was approximately \$325,000, however the range was \$10,000 (for a plot of land) to \$8 million. Agents acknowledged the variation in social norms by price point, however. One noted specifically that “the level of professionalism depends on the price point... [for an] under \$10,000 house sometimes the agents don't abide by the rules. So if you have a listing and give them permission to see it between ten and eleven [o'clock] on Monday and they show up on Wednesday, then you say I'm sorry your appointment was Monday... [these agents] get a little annoyed at you.”

Another agent cited price point as affecting clients' behavior: “A lot of times if sellers are upset... they want to take things out of the house before close ... but it only happens in a certain price point... anything under like \$200,000, people tend to get really militant.”

Future studies on the topic of emotions in real estate negotiations may take agents' target price points into account when analyzing the behavior exhibited by both clients and agents.

Self-Disclosure & Social Desirability

Self-disclosure and social desirability jointly played a role in potentially skewing the findings of this study. Because it would be impossible to observe a large sample of real estate agent negotiations as they occur (and without incurring other types of experimental biases), the structured interview method seemed to be the best method for collecting the data. With that being said, the data relies solely on agents' ability to accurately disclose what they have experienced in negotiations. Consequently, there lies the possibility that participants did not relay accurate information during the course of their interviews, or misremembered what they have experienced. Either would lead to inaccurate results.

Furthermore, agents may be influenced by the desire to be viewed favorably by the interviewer. Therefore, agents may have been reluctant to admit exhibiting unethical behavior or other behavior that would potentially cause others to view them unfavorably. One agent said that she knows of emotional expression occurring in negotiations but has never experienced it herself: "There are all types of shenanigans that go on... Do agents fight with each other yes they do...I have been fortunate [and haven't experienced this]... but I've heard of fighting and inside fighting because negotiating is emotional... between the buyers and sellers that you're working with, and between the agents."

Another agent acknowledged that it would be unacceptable to act emotionally. Specifically, this he noted the following: "Some agents are more professional than others. I haven't seen agents that have started yelling at me for any reason or expressed anger and I have certainly never done that with another agent. You can get frustrated but it would be very unprofessional to start yelling." This mention of the unprofessional stigma surrounding agents'

expression of emotion may raise skepticism about the accuracy of his disclosures throughout his structured interview for this study.

It would be difficult to limit the impact of self-disclosure and social desirability in future experiments on this topic, as there is no alternative experimental method for such an investigation that could rely on firsthand observations of real estate negotiations at a sufficiently grand scale or without the presence of an observer effect.

Significance

The findings of this research, which differ from the results of lab-based studies on emotions in negotiation, add significant insight into the drivers of real estate agents' (and clients') behavior in a field setting.

Clients as the Holders of Power & Future Value

The behaviors of agents in negotiations speak to the power dynamic between agents and clients. Because agents are more willing and likely to let clients' expression of emotions impact the process and outcome of the negotiation (and with a larger magnitude of impact), it is evident that agents honor the fact that clients hold much of the power in their relationship with agents.

This again relates to the network and referral-based nature of agents' business. Agents rely on repeat business from clients, as well as existing clients' recommendations (in order to obtain new clients) to generate income. This incentivizes agents to go to great lengths to make clients happy. The following quotation summarizes this idea: "My time is worth so much money... [this client] will give me referrals. I don't feel as though giving up here and there to make it work is a big deal because I usually make up for it." The agent acknowledged the fact

that he relinquished some of his commission in order to please a client, as well as to keep the deal moving forward. To this agent, it was worth the lost value on this given transaction because he reported that he will receive this value back in the future through referrals and found time.

Another agent noted making a concession for the following reason: “I had an ulterior motive. I wanted this guy to have a happy remembrance of the people working with the seller of this house.” This illustrates the same idea regarding the client as the holder of power, as the agent reported giving up some of his commission solely to improve his client’s perception of his competence as an agent.

Another agent expressed a similar sentiment by reporting the following: “When I take a client on, I have a duty to do what the client wants... That's the most important thing in the agent client relationship... We had some pretty close offers and [the seller] did not accept them and I had to remain a neutral party... it's not what I think, it's what they want, and I do what they want.” In this case, the agent’s desire to please his client prevented him from advising his clients to accept close (but somewhat lower) offers, despite the fact that this forced the agent to spend a longer amount of time on this transaction. Given all else equal, this would lower the agent’s return on cost, although it is unclear whether or not the offer that the seller ultimately accepted had made up for the agent’s time spent on the deal in terms of a higher commission.

Outcome Control as a Hedge to the Consequences of Unethical Behavior

Agents’ reluctance to allow other agents’ behavior have a significant impact on negotiation outcomes also illustrates not only the need to cater to clients for future business, but also the need to maintain relationships with other agents. When asked about emotions in agent to

agent negotiations, one agent reported that “if you lose your reputation, that's so hard to rebuild,” supporting the idea that networking is key.

And, as mentioned earlier, agents have an incentive to be in good standing with one another because of the possibility that agents can prevent each other from having access to certain deals. This is to say that if an agent is the victim of other agents’ emotionally motivated unethical behavior, it has the potential to significantly hurt his or her ability to do business. Therefore, agents have an incentive to not let emotions get in the way of negotiations with one another, which acts as a hedge against the possibility of other agents’ unethical behavior stemming from unfavorable, emotional experiences.

This aspect of the study is consistent with Allred et al.’s findings on negotiators’ perceptions of one another influencing their desire to work with one another in the future. For a real estate agent, being perceived as undesirable to work with can have severe, career-ruining consequences due to the network-based nature of their jobs.

Intrapersonal Effects of Emotions on Negotiations

Another key distinction between the findings on emotions in negotiations in the lab versus in this study is the intrapersonal nature of emotions in negotiations and their links to unethical behavior and impasses. Lab studies on concessions appear to be the most consistent with the findings on client to agent negotiations within this study in the sense that both are motivated by interpersonal factors. This is to say that agents are most likely to make concessions to a frustrated or angry client relative to an unemotional one.

In most other instances investigated in this study, effects on negotiation outcome (primarily impasses and unethical behavior) stemmed from one’s own emotional arousal within a

negotiation. This contrasts with the lab studies on impasses in which researchers Yip and Schweinsberg found that negotiators choose to end a negotiation *in response* to an angry counterpart, in order to punish the counterpart. Similarly, Wang, Northcraft, & Van Kleef found in their lab studies that unethical behavior occurs as a form of retaliation *in response* to a frustrated or angry counterpart. While this study found that 23% of agents do engage in unethical behavior out of frustration or anger, it is often out of the agent's own frustration or anger. However, it must be noted, that a common example of this type of unethical behavior—the exclusion of showing a given agent's listings (or other form of refusal to work with them in the future)—can end up punishing these excluded agents significantly by reducing their ability to present their clients with all possible home options (to buyers) or offers (to sellers). This motivation of this unethical behavior, *one's own emotions*, is what distinguishes it from the retaliatory nature of the unethical behavior found in the lab.

Relevance of Findings To Agents and Clients

The findings of this study may serve as a guide to both agents and clients in how to best direct their behavior while engaging in negotiations.

Because of agents' significant incentive to please and therefore retain clients, it may be the case that if clients display emotion, they will receive concessions from their agents or be able claim additional value by other means. Clients should be aware, however, that their display of emotion in negotiations is likely to slow the negotiation process down, which may result in unforeseen consequences. Furthermore, overly extreme displays of emotion have the potential to backfire and may overpower an agent's desire to retain a given client to the point of the agent choosing to end the client-agent relationship.

Clients should also be aware of their potential to allow their own emotions influence outcomes in the sense that they may make irrational decisions such as terminating a deal or giving up value based on emotion. Because agents should not be entirely relied on to intervene, the potentially harmful consequences of emotional displays can be severe and irreversible.

While some clients may try to use emotion to claim value, this should be done sparingly, as there are so many variables that may influence the result of clients' emotional expression.

Across the board, the findings of this study are conclusive in the sense that agents should limit their emotional expression (and the influences of emotional expression) in negotiations with one another in order to maintain relationships and cater strictly to clients' needs. Furthermore, if agents observe their clients becoming emotional, they may look to the findings of this study in order to analyze how to best proceed. The overwhelmingly popular sentiment amongst agents who participated in this study was reported to be that the client comes first, even if that means conceding value on a given deal in order to create value (through client retention and referrals) for the long term.

CONCLUSION

Overall, the differences between the findings of this study and what has been found in the lab delineate the relationship-based nature of real estate agents' success in the field. While emotions, particularly anger, in negotiations have been shown to lead to impasses, concessions, and unethical behavior in the lab, it is not in agents' best interests to let emotions function in quite the same way in their negotiations with one another as well as with clients.

While this study shows that clients' expression of emotion leads to a slowdown in the negotiation process, emotions' effects on outcome varied greatly. In some instances, clients are

able to claim more value through their persistence (due to emotion). In other instances, clients settle for less than what they originally had desired. Situational factors are responsible for clients' emotional expression—with the three key drivers being the large scale of a home investment, the existence of multiple offer situations, and the results of the home inspection. Agents' own negotiation styles play a role in the management and results of clients' emotional expressions. Overall, there exists a mild link between the expression of anger or frustration by clients and concessions and impasses. While clients exhibit some unethical behavior, it is not extremely widespread.

In agent to agent negotiations, the effects of emotional expression are smaller in magnitude, speaking to agents' tendency to focus on the desires of their clients and minimize the implications of negative interactions with other agents. Unethical behavior is significantly more common amongst agents, however exhibited out of frustration or anger about one quarter of the time.

Of great importance to this study is the idea that much of the effects of emotions expressed in negotiations are selfishly driven, meaning that in many cases it is the angry or frustrated negotiator who chooses to impasse or commit unethical acts. In the case of concessions, however, value is often given up in response to a frustrated or angry counterpart, similar to what was found in the lab.

The dynamic of relationships for real estate agents is a motivating factor in agents' response to emotional expression in real estate negotiations. Specifically, agents' 'business model' so to speak drives them to maintain positive relationships with both clients and other agents in order to continue to do business successfully—explaining the differences between the findings of this study and those of previous lab studies.

FIGURES

Figure 1:

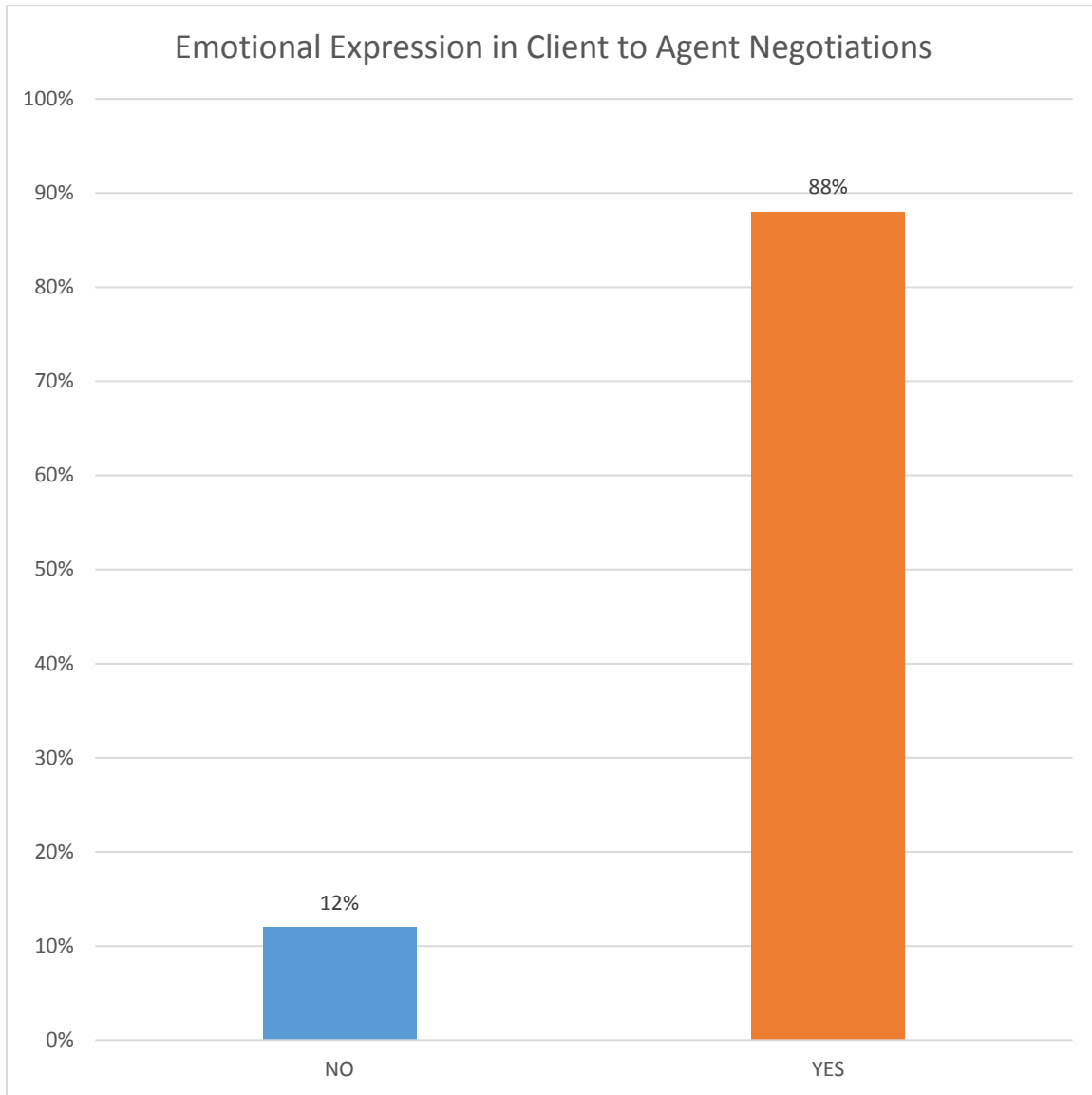


Figure 2:

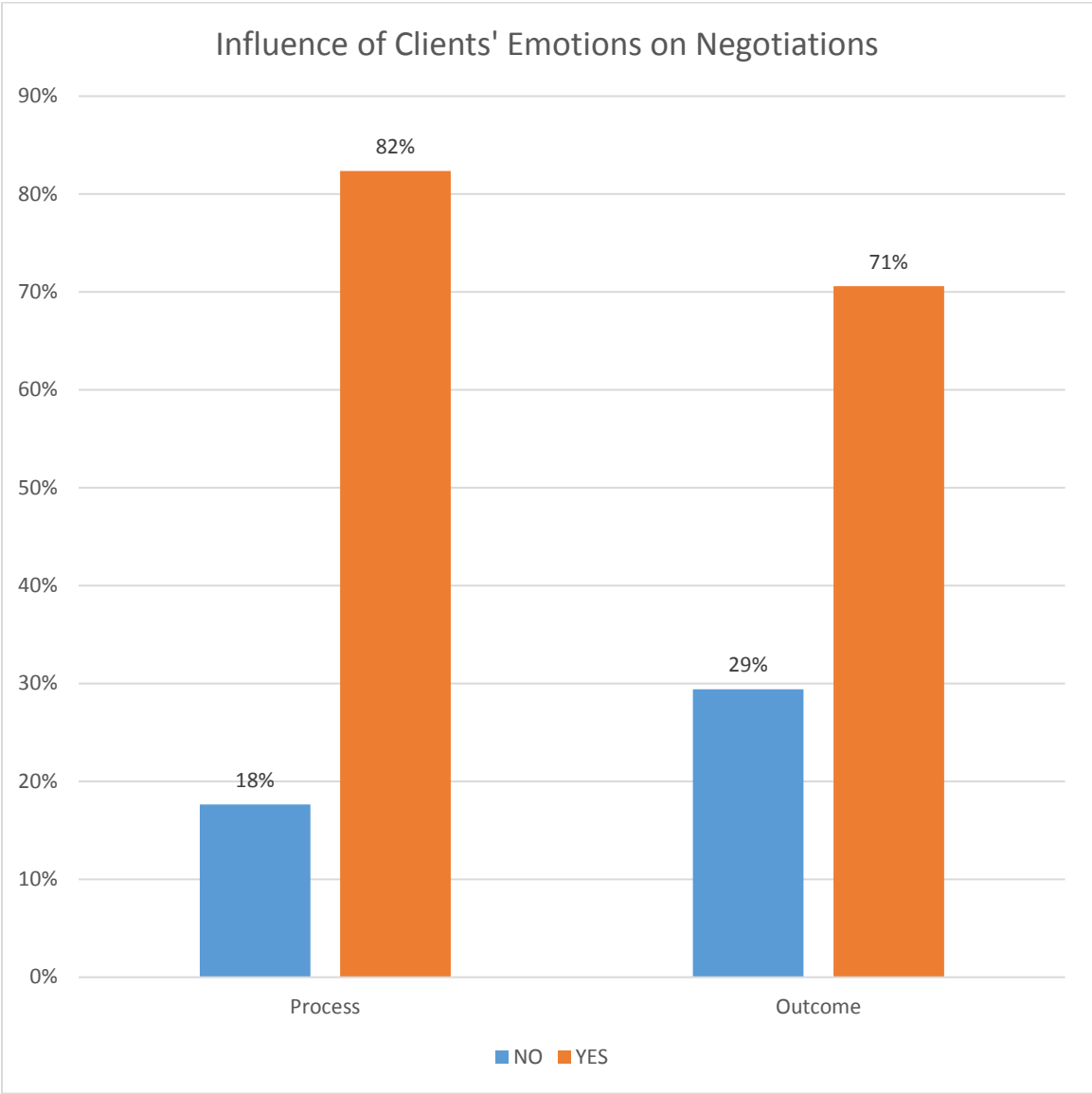


Figure 3:

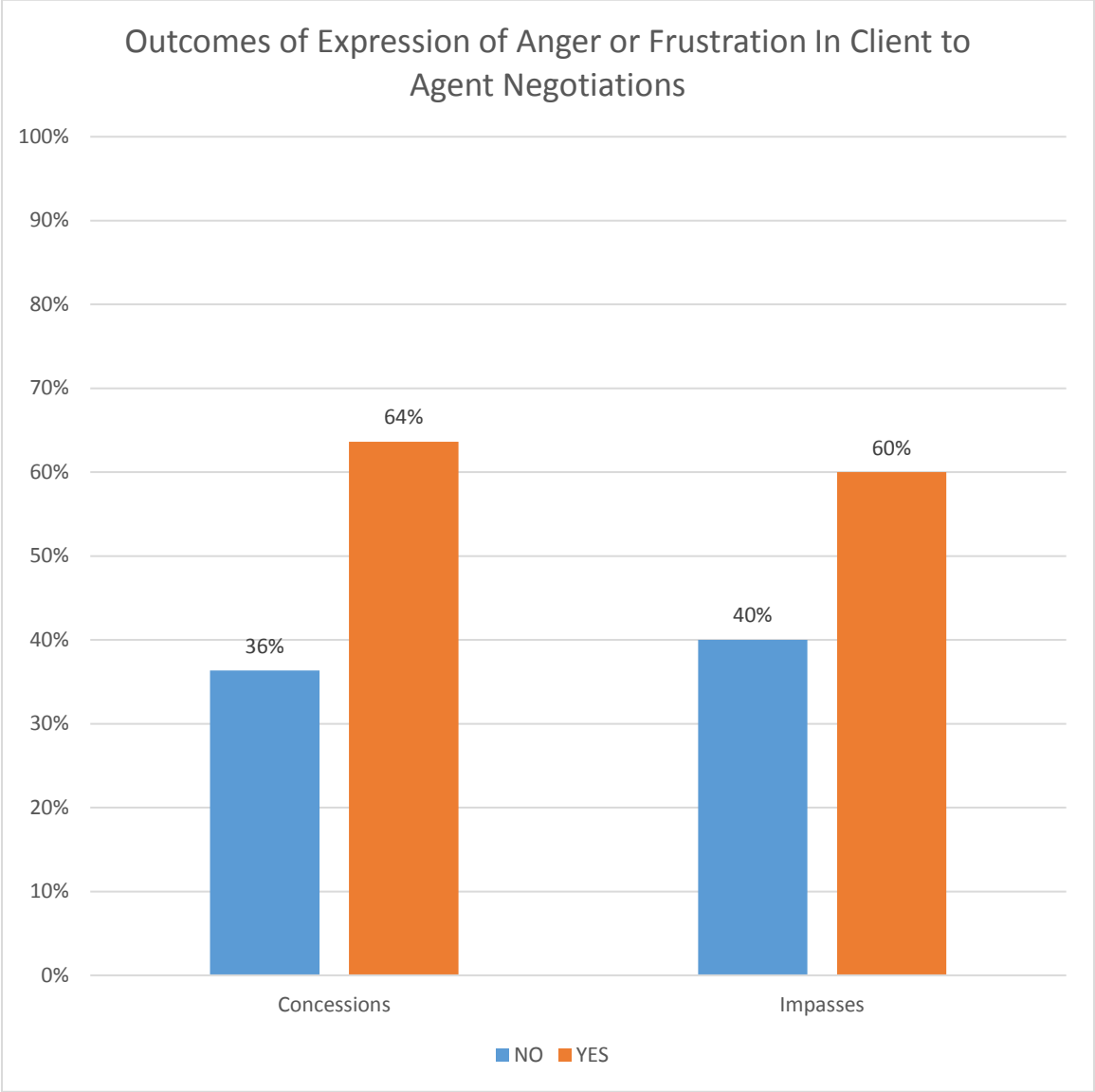


Figure 4:

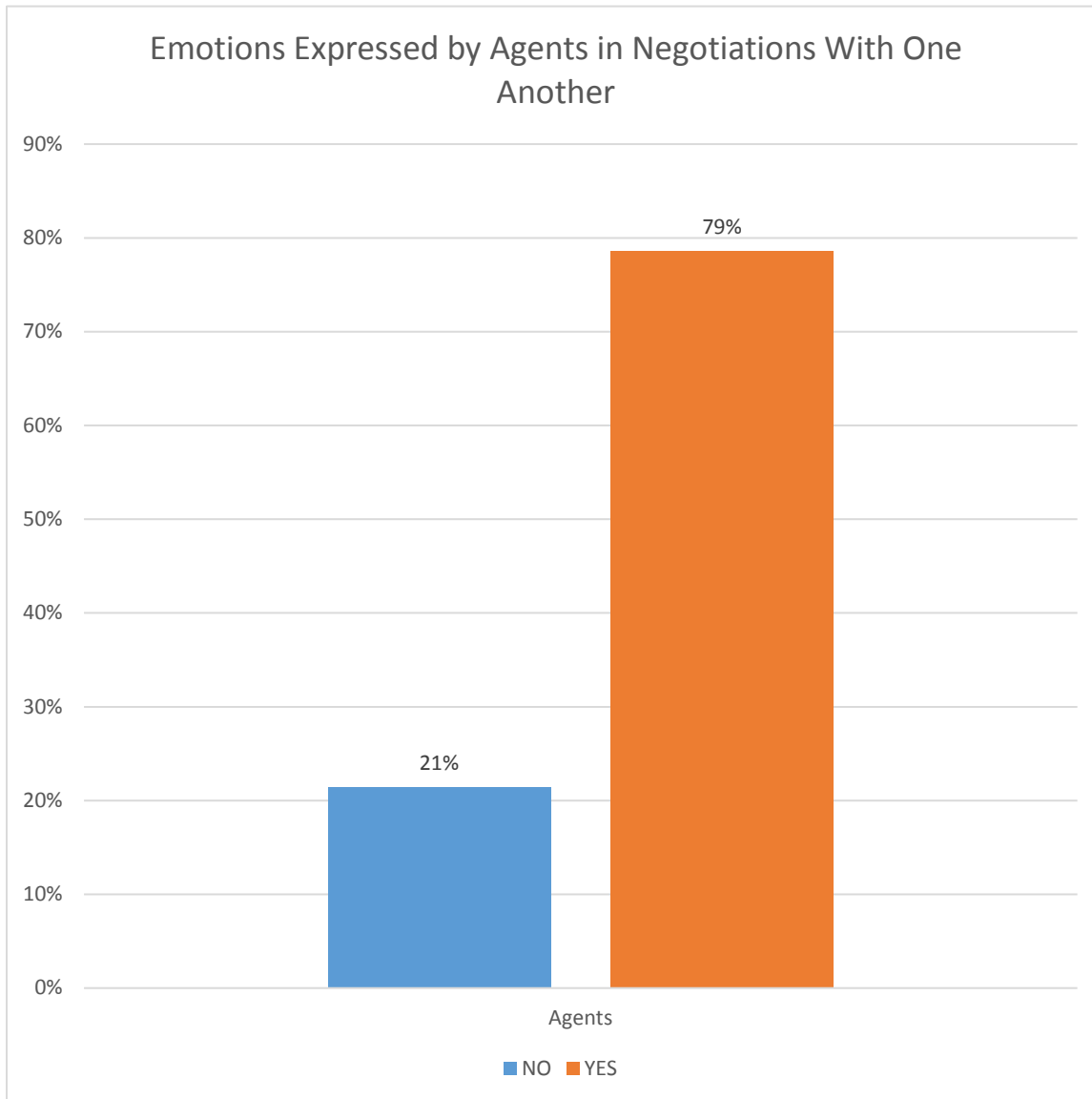


Figure 5:

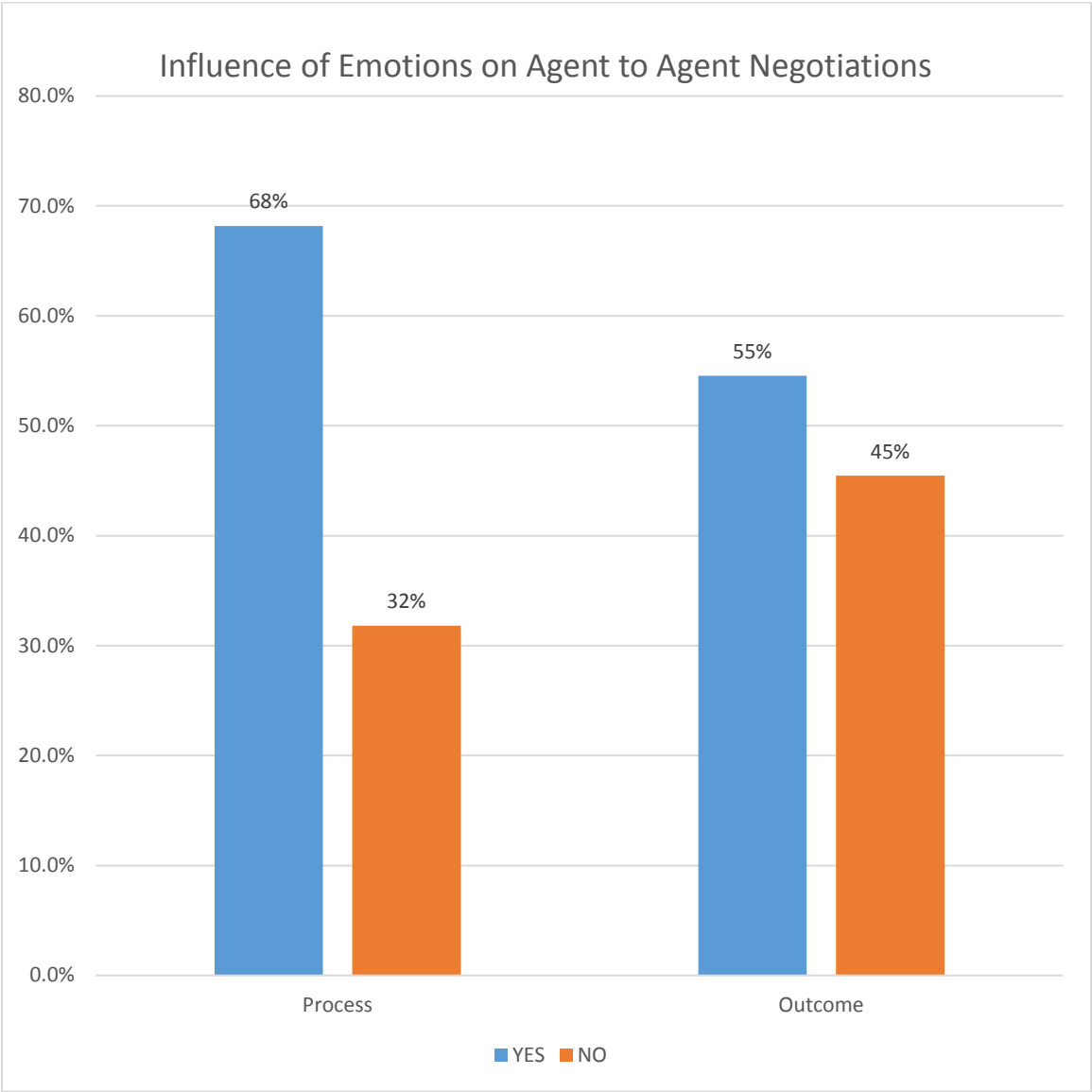


Figure 6:

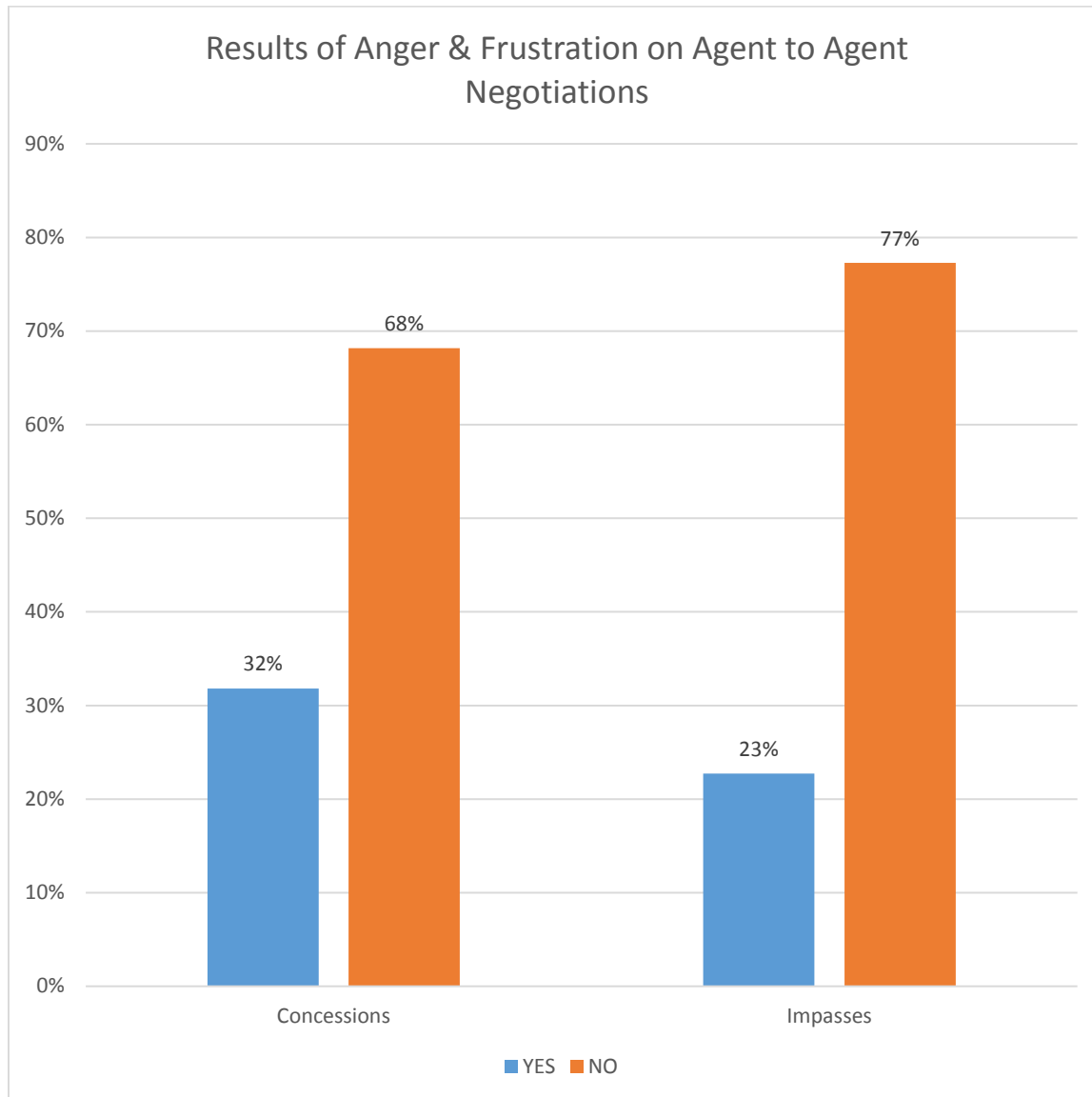
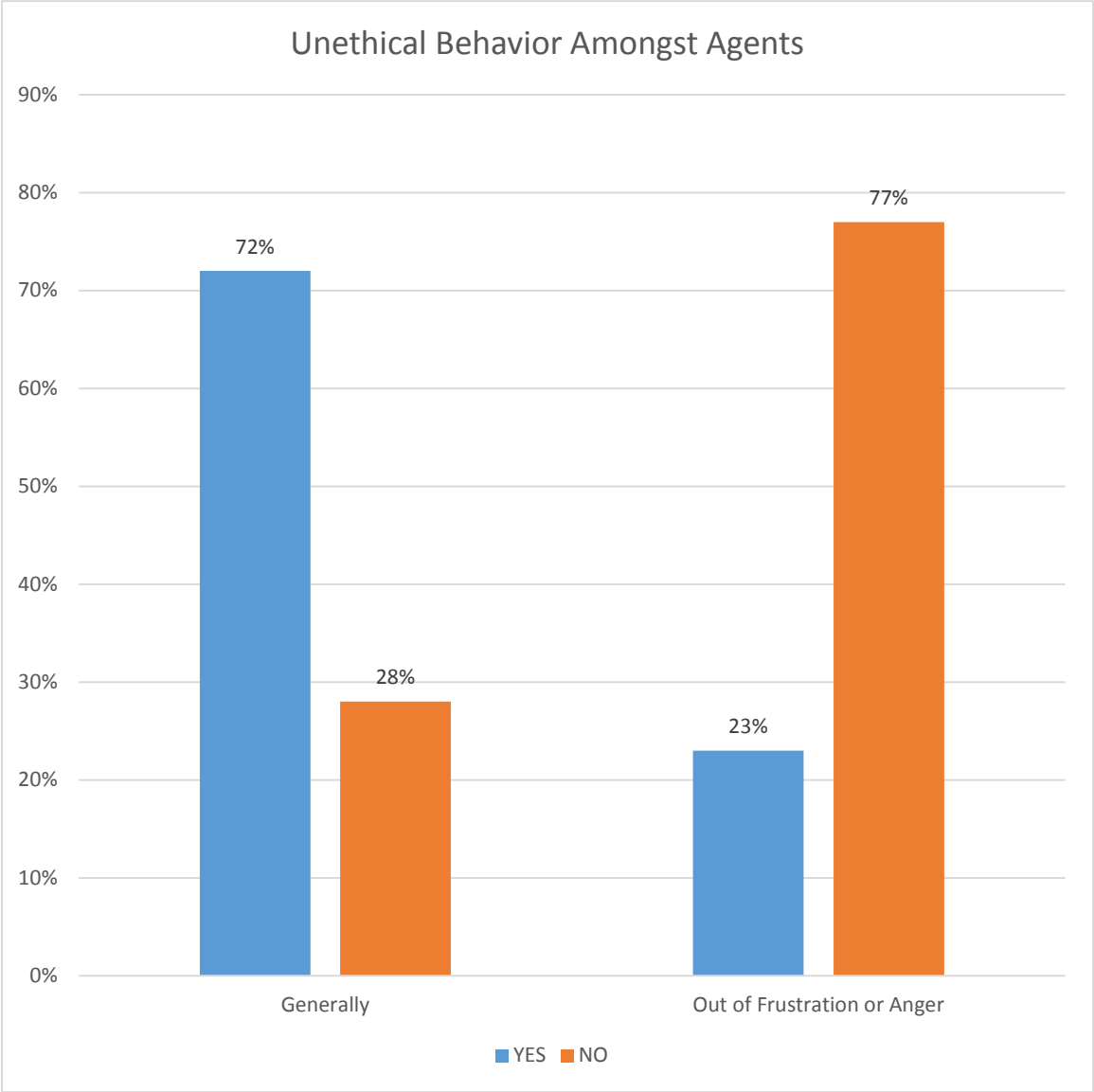


Figure 7:



REFERENCES

- Allred, K. G., J. S. Mallozzi, F. Matsui, and C. P. Raia. 1997. The Influence of Anger and Compassion on Negotiation Performance. *Organizational Behavior and Human Decision Processes* 70 (3): 175-187.
- Northcraft, G. B., G. A. Van Kleef, and L. Wang. 2012. Beyond negotiated outcomes: The hidden costs of anger expression in dyadic negotiation. *Organizational Behavior and Human Decision Processes* 119: 54-63.
- Schweinsberg, M., and J. Yip. Infuriating Impasses: Expressing Anger Increases Negotiation Impasses (under review).
- Törestad, B. 1990. What is Anger Provoking? A Psychological Study of Perceived Causes of Anger. *Aggressive Behavior* 16(1): 9-26.
- Van Kleef, G. A.; C. K. W. De Dreu, and A. S. R. Manstead. 2004. The Interpersonal Effects of Anger and Happiness in Negotiations. *Journal of Personality and Social Psychology* 86(1): 57-76.

APPENDIX

Supplementary Table of Agent Quotations

<p>Client to Agent Negotiations: Expression of happiness due to a favorable outcome after a negatively emotionally-charged process</p>	<p>“[The seller] wasn't signing documents; they needed to be signed in order to have a closing. That was a little difficult... so it was rather tension-filled. I informed [his lawyer] if he did not sign the documents, he would not get the check. And that was the truth... [Eventually, he signed and] everybody left that closing with a smile on their face.”</p>
<p>Means of expression of anger and frustration</p>	<p>“Raised voice and strict tone over the phone; when meeting in person you can usually get visual clues such as tense hand gestures, moving around in their chair, and even sitting up and leaning in towards you.”</p> <p>“That agent was emailing and texting her pretty nasty comments that she didn't handle it well.”</p>

	<p>“I usually only deal with other agents over the phone during the negotiation process, so it tends to be verbal cues, although there is the occasional email where people use capital letters, colored fonts, and/or go overboard on exclamation points.”</p>
<p>Agents may engage in emotional management to proactively minimize clients’ emotional expression</p>	<p>“I communicate to all of my clients, the sellers, what is going to be happening in the negotiation, so I don't experience a lot of emotions in my negotiations.”</p> <p>“My clients don't get super emotional, we are pretty good about preparing them in advance.”</p>
<p>Unethical behavior exhibited by an angry client as a form of retaliation (unrepresentative of the norm)</p>	<p>“I have had clients who want to do unethical things based on emotion because they feel that they are being unfairly treated and they try to strike back and do things that are more or less unethical... I was representing a buyer in the purchase of a warehouse...the seller had an unrealistically high expectation of pricing for the warehouse... There is a racial component that goes into it. This particular seller was African-American, he owned the building for about 15 yrs... he perceived because of who I was and my developer who was also white... so his negotiations with us were rooted in distrust that we were not operating with ethical means, that we were trying to take advantage of him... We had done an environmental study and found that he had an entire portion of this warehouse that had about 100 or so oil barrels... environmental hazards... totaling to the sum of about half a million dollars in environmental remediation... so of course we utilized this to renegotiate the price as any good agent would. So as opposed to looking at the numbers... his immediate reaction was ‘Everything is fake, you’re making this up’... he felt he was being treated unfairly...he was very very emotional, very very heated we actually had to close in two separate buildings because he refused to set foot in the same</p>

	<p>room as my client... he was very angry and took it out on us... The really unethical part was that he made it clear that the warehouse would be sold as is... We found out that anything was salvageable he was taking out... So he ended up taking out a forklift...tile... building materials, vanities...even though he negotiated as it is... When he thought he was getting the short end of the stick, he went back on that and took everything out... was very defensive...every time we had a negotiation with him it was very stressful.”</p>
<p>Only reported instance of excitement in an agent to agent negotiation</p>	<p>“Excited. It sounded to me like [the other agent] was ready to make a deal happen... I think he has given away some information without knowing he was giving it away.”</p>
<p>Multiple offer situation as a driver of agent frustration</p>	<p>“[One] offer was full price... I presented all the options [to the seller]... I said and the other party knew that we had another offer coming in and came in \$40,000 below. So [the seller’s] choice was not to ask for best and final or highest and best, they said, ‘You know we want to go with the party that put their best foot forward in the beginning and you know we'd like to just change this one date on the contract and this is the one we are going to sign’... So they signed it there and then and two hours later I called the other agent and said, ‘I'm sorry but they've accepted the other offer’ so she contacted me back and was frustrated that she didn't have the opportunity to come back.”</p>
<p>Potential for bias based on agents’ length of work experience</p>	<p>“When you're working with seasoned agents they know the turf and [emotions don't] come up... when you're working with new agents, it certainly does come up.”</p> <p>“My age and my experience and the language that I use tend to diffuse anything [emotional] right away.”</p>
<p>Potential for bias (self-disclosure & social desirability)</p>	<p>“I keep emotions off the table. Professionally, the way to make this whole thing work is</p>

	<p>positive, like in a positive light... there are some agents who I don't think do their jobs but if I need them to do something I do it nicely.”</p>
<p>Clients as the holders of power in the client-agent relationship & the importance of referrals to agents</p>	<p>“I have a referral-based business so I want my clients to be happy.”</p> <p>“At the end of the day, I want that client to have a good experience.”</p> <p>“People remember how you made them feel.”</p>
<p>The nature of agent to agent relationship maintenance motivated by the likelihood of future negotiations</p>	<p>“The goal is to close the deal in the best interests of your client, and so I’ve gotten pretty good at just brushing some of this [negative agent] behavior aside, and using tunnel vision to get to the end. The other thing is that chances are you will deal with this agent again, and negative behaviors like these don’t escape the mind easily.”</p>