SIMULATION ANALYSIS OF BUYER SEARCHING PROCESS IN CHINA’S PRIMARY HOUSING MARKET

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Abstract
Study on buyer searching process in housing market has been the hot academic topic in the field of information economics. Based on the realities of China’s housing market, this paper builds a model for buyer searching process in the primary housing market, investigates buyers’ optimal searching decisions and the influences of exogenous variables on the searching process with the analog simulation method, so as to discuss the formation mechanism and influencing factors of the housing searching process. The results are that the price difference degree of housing with similar qualities is the main factor affects buyers’ searching decisions and the increase of price difference will lead to negative searching strategies. However, the increase of buyers’ income will promote their searching efforts and induce active searching strategies. Suggestions of reducing the price difference degree of housing with similar qualities; expanding information transmission channels and improving the transparency and authenticity of information are proposed.

Keywords
Simulation analysis; Buyer searching process; Primary housing market; China.

INTRODUCTION
Searching cost is very high in China’s housing market. Usually, developers hold rich professional knowledge and market quotation, while the individual buyer lacks experience, is information disadvantaged and is easily tricked. Meanwhile, some developers hoard land and property, rig housing prices, which increase the discrete degree of market prices. Research indicates that a seller’s information cost of transaction accounts for 15.2% of the housing price in the primary housing market, while that of the buyer accounts for 19.1% (Zhang and Zhang, 2009). The high searching cost restricts residents from adjusting housing consumption in time to changes in housing demand and leads to the low efficiency of resource allocation in the housing market(Shi and Wang, 2000; Li and Guo, 2003; Liu, Wang and Sun, 2009; Qin, 2009).

In the search theory, the single-period searching model, the multi-period searching model and the optimal searching model are the most widely used model forms. Stigler (1961) called the process whereby a buyer collects market prices and quality information the searching behaviors. He first proposed the concept of information cost. He thought that the higher the discrete degree of market prices, the longer time the buyer will spend on searching. Given the certain discrete degree of prices, the greater