

The process of selecting real estate property in the context of transaction costs

Abstract

The character of the real estate market, and its importance for and influence on the national economy, has resulted in a wide range of research carried out regarding decision-making in the purchase of real estate. The authors of these studies list several factors influencing these decisions, such as demographic factors, buyer's income, or the degree to which the housing needs of the buyer are met. Behavioural factors are increasingly the topic of research on the process of choosing and purchasing a property. The emerging research gap concerns empirical studies of the factual engagement of System 1 in the decision-making process. Most often, a survey is used as research tool, causing the research subjects to engage the more analytical functions of System 2, instead of System 1. Moreover, literature research did not reveal any studies focussing on the functioning of both systems in relation to the transaction cost incurred in the process of choosing and purchasing a property. This PhD thesis aims to fill in, at least partially, this gap.

The main purpose of this dissertation is to determine the role of System 1 and System 2 during the decision-making process of selecting and buying a real estate property in the context of reducing the transaction cost of the purchase. An innovative aspect of this PhD thesis is an in-depth analysis of the System 1 in relation to transaction costs, which involves, among others, subconscious automatic responses.

The dissertation uses methods of analysis and review of literature, as well as statistical methods. The data was collected with the use of a survey and an experiment.

The dissertation has a theoretical-empirical character and consists of seven chapters. Chapter 1 contains a review of history of economic theory, attempting to identify and interpret the inclusion of non-economic factors into economic theory. Chapter 2 describes the inclusion of transaction cost in economic theories and contains a short analysis of property rights. Chapter 3 focuses on the characteristics of the real estate market in relation to the properties of a perfect market. The purpose of this chapter is to pinpoint the causes of the

emergence of transaction costs in the real estate market. In chapter 4, the transaction costs of selecting real estate property and well as ways to reduce these transaction costs are identified and discussed. Chapter 5 presents the research hypotheses, the research sample and contains a description of methods used in the empirical study. In Chapter 6, the results of the author's own research are presented and discussed. Conclusions and closing remarks can be found in Chapter 7.

The results of the research show that when selecting a real estate property for purchase, whether the buyer uses System 1 or 2 depends on how the offer is presented. The use of System 1 in complex decision-making processes, like the purchase of real estate, can lead to a less favourable choice. System 2 does not always correct the imperfections of System 1. It is shown that the transaction costs of selecting and purchasing real estate property can be reduced by using the services of a real-estate agent.