

IIS Survey: Buying a home is usually a short and sharp experience

Buying a home is the largest financial decision most people ever make. The latest ING international survey, however, suggests many look at just a handful of options and make a decision in a matter of a few months. But that might not be a bad thing after all

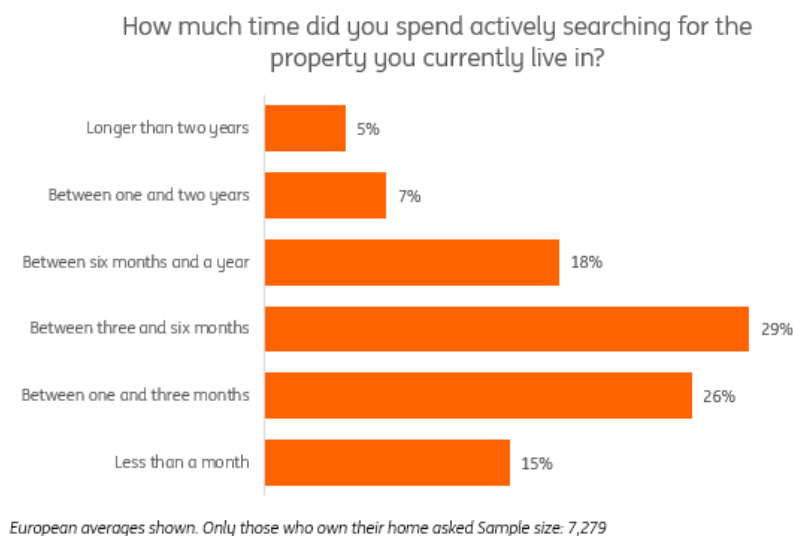


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A speedy, uncluttered decision

People buy properties for a myriad of reasons including security, education, pride, jobs, family and investment. But overall, according to an ING survey of 12,802 Europeans in 13 countries, they don't spend too much time on the process.

Two in five (41%) Europeans in the ING survey said they spent less than three months searching for the property they currently own, with 15% saying they spent less than a month. Overall, almost 90% of respondent had it all done and dusted within a year.



One reason for the relative speed of deciding was that buyers did not look around much. Almost half (47%) said they looked at five or fewer properties before making their decision.

Although it may seem strange to just skim the surface of options before making what in most cases would be a massive purchase, behavioural science suggests it is not necessarily illogical -- or damaging.

There is plenty of evidence that the more choice people have, the less easy it is to make one, the so-called choice overload that can have you staring at a menu in a restaurant gripped by indecision.

And -- as Swarthmore College psychologist Barry Schwartz, author of "The Paradox of Choice: Why More Is Less", has [written](#) -- there is also a greater chance of becoming dissatisfied if you have a lot of choices.

So, although there may be specific reasons for buying quickly (see Box), for many people just getting on with it might be the best and most efficient option.

Hurry before it goes

On a country level, the issue of how many properties to look at and how long to take may simply come down to supply and demand.

Some 63% of Dutch respondents, for example, looked at five homes or fewer before buying, and a higher percentage (75%) decided within six months. There is currently a housing crisis in the Netherlands. A shortage of available homes -- the government last year said it amounted to 300,000 [homes](#) -- has driven up prices (an 11.6% year-on-year [rise](#) in the third quarter of 2020).

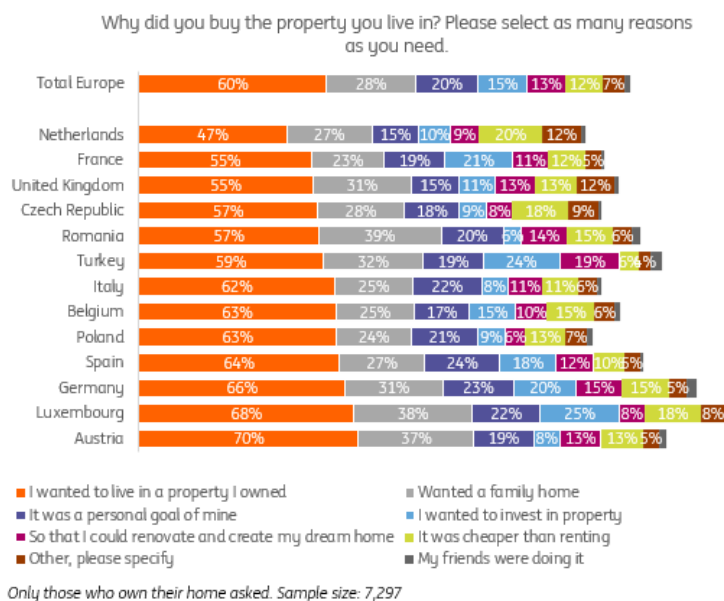
Together this suggests that people wanting to buy in the Netherlands can't be too choosy and shouldn't take too long making up their minds.

The ache for a place of our own

It is also clear from the survey that the reason people buy a home is simply because they want a place of their own.

As the late U.S. poet Maya Angelou put it: "The ache for home lives in all of us, the safe place where we can go as we are and not be questioned."

Some 60% of Europeans, when asked to pick one or more reasons for buying the property they lived in, said it was a matter of ownership. One in five said it was a personal goal and 13% said they wanted something to make their own -- all essentially the same thing.



This fits squarely within psychological ownership [theory](#), which seeks to explain a cognitive desire among people for something that is theirs alone for reasons ranging from belonging and security to self-identification.

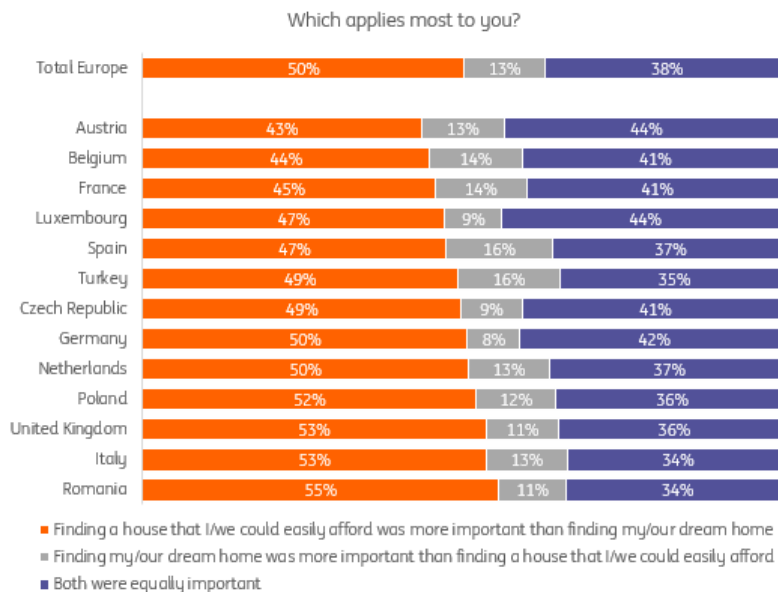
Perhaps surprisingly given the wealth-creating benefits that owning can bring, simply wanting your own place outstrips any purely financial reason people may have had for buying -- only 15% cited the investment potential of owning and 12% that owning was cheaper than renting. People were free to choose as many reasons as they liked.

The findings were fairly consistent across European countries, with the Dutch a little more focused on the financial aspect and Austria more biased towards plain ownership. (What divergence there is, may have to do with actual homeownership: around 55% in Austria, where social housing is widespread, versus nearly 70% in the Netherlands, for example.

Affordability key over dream home

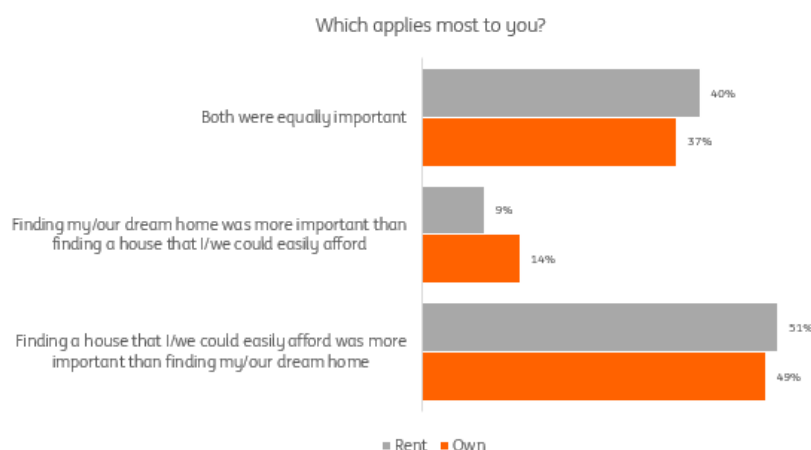
Europeans appear to be relatively realistic when it comes to housing -- looking primarily at affordability -- although some do also put a priority on finding a "dream home" over what might be available to them.

While half (50%) of those responding to the ING survey said that finding a house they could afford was more important than its relative perfection, a solid 38% said the desire for a "dream home" was equally as important as price. Some 13% said finding their 'dream home' was most important.



Only those who searched for their house asked i.e. those who still live in their childhood home were not asked. Both renters and owners included. Sample size: 10,693

Interestingly, responses differed little between those who owned the home they currently live in and those who were renting. Finding a dream home was the priority for slightly more owners than renters (14% v 9%) but the differences were minimal. Roughly half of both renters and owners considered affordability to take priority over finding their dream home when they were searching for the home they live in now.



European averages shown. Only those who searched for their house asked i.e. those who still live in their childhood home were not asked. Sample size: 3,302(renters), 7,279(owners)

Lack of bidding wars

One explanation for the large number of would-be "dream" homebuyers is that the survey respondents already had a place to live that met their needs. For many, that may have meant they could be a bit pickier about where and when to move: 40%, for example, implied they had been quite comfortable and did not need to move before they did. They moved out of choice rather than necessity.

That might also go some way towards explaining why the vast majority of Europeans -- 84% -- said they paid the asking price or less for their current property. Indeed, there were very few reports of bidding wars among the respondents.

Less than a quarter (23%) of owners said they had lost out on a home purchase because someone had come in with a higher offer for the property. This was even the case in Britain, where so-called gazumping -- when an initial deal is signed with one buyer, only to have another come in later with a higher offer -- has been commonplace in the past.

The psychology of pricing

Almost everyone knows that something priced at €19.99 is really only a €20 product made to look cheaper. But research also shows that how precisely a house is priced can have an impact on what it goes for. Basically, the more specific the price, the more it sells for. Researchers at the University of [Florida](#) looked at five years of home sales in the state (focusing only on those that sold below the asking price).

They found that people who priced homes with a hundred dollar ending, e.g. \$xxx,500, got closer to their asking price than those who listed with a thousand dollar ending, e.g. \$xx1,000. Worst performing were houses rounded up to the tens of thousands, e.g. \$x10,000.

In no country, did a majority of people say they had lost out to a higher bidder.

Overall, the survey suggests that Europeans who want to purchase a new property do so without much fuss: they take a quick decision after a modest search and pay the asking price. All assuming, of course, that they can afford it.

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