CONSUMER BEHAVIOR APPLICATIONS TO REAL ESTATE

by

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ABSTRACT

Most real estate study is base on neoclassical economics. Consumers are expected to make real estate decisions that maximize their utility and wealth given price and income constraints. Tastes and preferences are taken as given. The outcomes of consumer actions are used to infer these preferences. The study of real estate would benefit from an expansion to include consumer behavior concepts from sociology and psychology as synthesized through marketing. Inclusion of these concepts in real estate education will help real estate analysts better explain and predict the behavior of decision-makers in real estate markets. This paper will present a review of the consumer behavior literature relevant to real estate and suggest how these concepts could expand real estate study.

Most real estate study is based on neoclasssical economic theory that assumes that people make rational decisions about renting and buying real estate as part of their attempt to maximize utility. While recognizing that real estate markets are imperfect, most real estate researchers do not examine the influence that the diversity of real estate consumers has on the demand for real estate. Consumers are complex human beings driven by internal and external forces, some of which are beyond their control and many of which they are relatively unaware.

Rather than ignore the human element of decision making or put all aspects of non-financial decision factors in a black box called "tastes and preferences," real estate students, professors, and practitioners can benefit from integrating the study of consumer behavior with the financial economic approach to real estate study. Greater knowledge of real estate consumers and their behavior will lead to better understanding and prediction of decision makers' actions in the real estate market. The purpose of this paper is to present some of the most common consumer behavior concepts and explain how integration of consumer behavior theories and understanding would improve real estate study.

THE STUDY OF CONSUMER BEHAVIOR

Consumer behavior is the study of individuals, groups, or organizations in the selecting, purchasing, using, and disposing of goods and services to satisfy needs and desires. Consumer behavior examines not only what behaviors consumers exhibit but also the reasons for those behaviors. On a macro level, marketers are interested in demographic shifts as well as society's values, beliefs and practices that affect how consumers interact with the marketplace. On a micro level, consumer behavior focuses on human behavior and the reasons behind these behaviors. Thus, concepts drawn from psychology and sociology are prominently reflected in the consumer behavior literature. The following sections describe these concepts as they are applicable to the development of an increased understanding of real estate decisions in a consumer behavior context.

Consumer Choice and Decision Making

Much of the study of consumer behavior focuses on consumer choice. Utility theory in economics and attitude theory in social psychology have strong similarities and constitute a basis for consumer decision and choice processes. Consumers purchase goods and services for the benefits derived from their use. While the study of economics focuses on outcomes, consumer behavior emphasizes the process. Rather than assuming perfect conditions, consumer behavior researchers explicitly recognize the impact of situational elements on behavior and the variance among individuals.

Most real estate purchases and leases would be considered high involvement goods that would require complex decision-making. The three major comprehensive models of this type of consumer decision making (Engel, Kollat and Blackwell, 1968; Howard and Sheth, 1969; Nicosa 1966) trace the psychological state and behavior of individual purchasers from the point at which they perceive a need through the search for information, evaluation of alternatives, purchase, and final evaluation of the consequences. The assumption is that a purchase act is preceded by a sequence of mental information processing. This involves a cognitive function in forming beliefs, an emotional component in developing positive or negative attitudes, and a reaction through being motivated to select and buy.

Decision rules

When evaluating alternatives, such as choosing which property to purchase or rent, consumers choose from a list of acceptable alternatives (evoked or consideration set) based on the criteria they have selected as being important. For a product to be considered by a consumer, he must know that it exists and perceive that it can satisfy his needs.

The criteria a consumer uses to choose between alternative products are the product attributes the consumer considers important. Consumers may make the purchase decision using compensatory or noncompensatory decision rules. With a compensatory decision rule, the consumer identifies the important attributes, rates the alternative products on each attribute, and selects the product with the highest score. With a simple additive rule, the consumer selects the product that is judged to have the largest number of positive attributes. This is a relatively simple rule used most often when motivation or ability is limited (Alba and Marmorstein, 1987). Thus, a consumer might choose the apartment that offers a pool, exercise room, built-in washer and dryer, but inconvenient location over an apartment with a pool and a convenient location.

The weighted additive is a more complex compensatory rule in which the relative importance of each product attribute is also factored into the decision. Therefore, the consumer completes the more complicated task of computing a summated weighted score for each product on the salient attributes and selects the product with the highest overall score.

In contrast, noncompensatory decision rules do not balance all attributes and determine whether the positives outweigh the negatives. Rather, if the product does not meet a minimum standard on an important attribute, then it will not be considered. Using a conjunctive decision rule, the consumer sets minimum acceptable levels on all important attributes and eliminates any alternative that does not meet all the minimums. This helps consumers to narrow down the choices for further evaluation. If none of the products meets all the cutoff requirements, either the consumer must change the minimums acceptable or change his or her decision rule (Grether and Wilde, 1984). In the above example, if the tenant requires a pool, exercise room, built-in appliances, and convenient location, then neither of the apartments would be acceptable. The consumer will either continue to search for the appropriate property or compromise on her standards.

With the lexicographic rule, the consumer first ranks the attributes in terms of perceived importance. Then the alternatives are compared on this one most important attribute. If one scores sufficiently high on this most important attribute, then it is selected. If two or more are perceived as equally good, they are then compared on the second most important attribute. This process continues until the tie is broken. Therefore, if a tenant says she selected an apartment because the balcony has French doors instead of sliding doors, it is important to remember that this difference may reflect the tie breaker after other, more important, attributes were deemed to be equal across apartment options.

Consumers may use a combination of decision rules in choosing a property. First, they may use a rule to narrow down the choice set with some simple cutoff, and then they may apply a more complex compensatory rule to make the final choice. Some criteria are more salient than others and those attributes will have a greater impact or importance in determining consumer selections. Whether a characteristic is salient depends on the alternatives and consumers′ evaluation of them. If, for example, the consumer with small children believes all neighborhoods in the city offer equally good schools, then school quality is not a deciding factor in which house to buy. Salient attributes that actually influence the evaluation of alternatives are known as determinant attributes (Alpert, 1971). The particular criteria consumers use in their decision making depend on situational influences, similarity among choices, motivation, involvement, and knowledge.

Decisions involving widely disparate alternatives (a single family detached house, a mobile home in a trailer park, and a houseboat moored at a dock) may require the consumer to use more abstract evaluative criteria to evaluate the alternatives (Bettman and Sujan, 1987; Corfman, 1991; Johnson, 1984; Johnson, 1989). The more similar the options, the more the consumer can rely on concrete criteria and price to make comparisons. The consumer′s motivation for purchasing a property will directly affect the criteria used to evaluate alternatives. Experienced consumers are more likely to know which dimensions are useful for comparing alternatives. First-time buyers are more susceptible to external influences determining what criteria they use during decision-making (Bettman and Sujan, 1987).

The average consumer′s lack of information about all available real estate options may result in the consumer not purchasing the property that would best serve his needs because he is unaware that the property exists. Others may make less than optimal decisions because comparing all the properties on all the salient attributes may be too complex. They may resort to a noncompensatory decision making process to make the procedure manageable. If consumers are using noncompensatory rules to make decisions, then the real estate appraiser needs to identify which property characteristics are being used to screen properties and remove the eliminated properties from the list of comparables. Otherwise, the analyst may overestimate the contribution of certain attributes to value. Property developers and managers need to recognize whether consumers are making decisions based on cutoffs. If a consumer sets an acceptable minimum as two bathrooms, then any house with only one and one-half bath would not be considered and a house with three bathrooms may not be valued any higher than a similar house with only two baths. Similarly, if consumers are using lexicographic rules, then the property must be perceived to possess a noticeably higher level of the most important attribute(s) to ensure being selected.

Information search

Consumers seek and use information as part of a rational problem solving and decision making process. Consumers first search internally for historically gathered information (Bettman, 1979; Punj, 1987). Experience, length of time since last purchase, and satisfaction with previous purchase will affect the consumer′s reliance on internal information. As most consumers purchase real estate infrequently, they rarely rely solely on their past knowledge when selecting a new property to purchase.

Consumers may also conduct an external search of personal and impersonal sources of information. Situational determinants that can constrain information search include the quantity and availability of information in the marketplace and time pressure (Beatty and Smith, 1987). Other factors that influence search behavior are product determinants and consumer determinants.

Product determinants include a variety and type of product features. For example, if consumers perceive great differences between products, they are likely to make more comparisons. Also, products characterized by innovations may require consumers to update their knowledge since last purchase through an information search process. The relatively high price of real estate will create concerns about the financial risks involved in the purchase and lead to greater search (Kiel and Layton, 1981).

Some of the consumer determinants that affect individual search behavior include knowledge, involvement, beliefs and attitudes, and demographic characteristics. Research has found that product knowledge may be positively or negatively related to the amount of search (Beatty and Smith, 1987; Kiel and Layton, 1981; Newman and Staelin, 1972; Punj and Staelin, 1983; Urbany, Dickson, and Wilkie, 1989). Knowledge can allow the consumer to rely more heavily on internal information, but it can also enhance search by enabling more effective use of newly acquired information. When consumers feel more confident about their ability to judge products, the will typically acquire more information (Duncan and Olshavsky, 1982). This implies that there may be an inverted-U relationship between knowledge and external search (Bettman and Park, 1980). Consumers with extremely limited knowledge (such as first-time homebuyers) may feel incompetent to undertake an extensive search and analysis on their own. Instead, they may rely heavily on others such as friends, relatives, or salespersons. Moderately informed consumers possess sufficient knowledge to explore and understand more information, but their knowledge is not so great that they feel comfortable relying on memory and experience, so they will undertake more extensive external search on their own. Those consumers with the greatest knowledge of the product and market may already possess all the information they need to make a decision without a formal extended search.

Consumers differ in their attitudes toward shopping. In general, consumers engage in more search as their attitudes toward shopping become more favorable (Beatty and Smith, 1987; Punj and Staelin, 1983). Individual beliefs about the cost versus benefits of search will also guide search (Urbany, 1986). Research indicates that search may be related to several demographic characteristics (Beatty and Smith, 1987). Age is often negatively related to search (Cole and Balasubramanian, 1993). Older consumers have greater experience with many products so they can rely on internal information. Higher income consumers often search less than lower income consumers because of the value of their time (Urbany, 1986). More educated consumers usually search more, perhaps because of their greater confidence in their ability to undertake the search and use the information gathered effectively (Duncan and Olshavsky, 1982). Because the modes of information search and, ultimately, decision-making are a function of both internal and external influences on behavior, the remaining sections focus on the consumer behavior implications of each.

Internal Determinants of Consumer Behavior

Motivation

The force that drives a person to buy and use a good or service is called motivation. It explains why people buy what they do and what they are trying to accomplish. Needs arise from the discrepancy between actual and desired states of being. Needs can be classified as utilitarian or hedonic/experiential. Utilitarian needs lead to consideration of objective product attributes or benefits, whereas hedonic needs elicit subjective responses, pleasures, and aesthetic considerations (Havlena and Holbrook, 1986; Holbrook and Hirschman, 1982). It is common for utilitarian and hedonic needs to function simultaneously in a purchase decision (Srinivasan, 1987). As the discrepancy between the desired and actual state of being increases, a condition of arousal called a drive is activated. When the drive becomes strong enough, the consumer will take action in an attempt to satisfy the perceived need. Wants refer to specific products that consumers believe will satisfy the need. Benefits are what consumers derive from products and the reasons they want them (Foxall and Goldsmith, 1994).

Thus, a real estate buyer may be trying to satisfy both a utilitarian need for space and a hedonic need for status simultaneously. An accurate valuation model must consider that the benefits the buyer is expecting are not limited to financial rewards.

Perception

Perception deals with recognizing, selecting, organizing, and interpreting stimuli to make sense of the world around us. People receive stimuli from their environment through the five senses, which they then must interpret. People are selective and interpret stimuli that reinforce and enhance their existing beliefs. Consumers tend to interpret what they perceive so that it does not conflict with their basic attitudes, personality, motives, or aspirations. They pay attention to stimuli deemed relevant to existing needs, wants, beliefs, and attitudes and disregard the rest.

One perception important to the study of consumer behavior is the level of perceived risk in a potential purchase. Types of risk consumers face include functional/performance, financial, physical, psychological, social, and time (Ross, 1975). The amount of perceived risk is a function of the product (price, length of time consumer will own, cost of switching, additional products and services needed to be consumed with it), characteristics of the consumer (resources, willingness to gather and use information, experience), and external forces (information available, options to reduce the consequences of the choice).

Because of the perceptual filtering that consumers use, their mental image of towns, neighborhoods, and types of architecture tend to endure. If a city is thought to be dangerous, then the consumer will notice the news reports of crime in the area. However, if a town is perceived as safe, the same consumer will tend to dismiss crime incidents as flukes. Similarly, if a consumer perceives investment in houses as safe and investments in industrial property as risky, then no amount of financial analysis may be able to sway them. In addition, two investors in similar financial situations may place different risk premiums on a particular investment because of their personal attitude toward risk.

Knowledge and learning

Information processing describes the series of steps by which information is encountered through some exposure to a person's senses, attended to, interpreted, understood and accepted, and stored in memory for future use in making decisions (McGuire, 1976). Elaboration via mental processing transforms this information into beliefs, attitudes and intentions that determine product choice and related aspects of purchase.

For a stimulus to be effective, it must be of sufficient strength to reach the lower or absolute threshold to activate the consumer's sensory receptors, creating a sensation. Because of the sheer number of stimuli to which consumers are exposed on a regular basis, not all stimuli will receive additional processing. Consumers subconsciously screen stimuli and select those that deserve their attention (Janiszewski, 1993). Consumers who have recognized a need are more likely to pay attention to information about products that can satisfy that need. People are also more receptive to information that maintains or enhances consistency with their beliefs and attitudes while they avoid information that challenges their beliefs and attitudes (McGuire, 1972). Thus, real estate marketers may encounter difficulty in communicating with potential buyers and tenants until the consumer has recognized a need for a move.

When a consumer pays attention to a stimulus, he or she attaches meaning to it. This meaning will depend on how a stimulus is categorized and elaborated in terms of existing knowledge. Consumers store information in memory in the form of associations (Anderson, 1983). According to the associative network concept, memory consists of a series of concepts and links between those concepts. A network of these concepts and links about a product are combined into a high-order knowledge structure called a schema (Alba and Hasher, 1983). Thus, as a consumer processes a new piece of information, he will categorize that information and integrate it with his current knowledge. The degree of integration between the stimulus and existing knowledge that occurs while a stimulus is being processed will influence the amount of learning that takes place (Craik and Watkins, 1973). Someone who has a recognized need will more actively process information, resulting in greater elaboration and learning. A developer or property manager may make use of the memory network by using a family brand name for all properties or giving an office park a name that is easily associated with a landmark.

Attitudes

An attitude is an overall evaluation about something combining cognitive beliefs, emotional affects, and behavioral intentions. Attitudes may vary along the dimensions of strength, direction (positive or negative), and stability (Eagly and Chaiken, 1993). Also, not all attitudes are held with the same degree of confidence (Berger, 1992). Attitudes based on direct experience with a product are usually held with more confidence than those derived from indirect experience. Confidently held attitudes will usually be relied on more heavily to guide behavior (Berger, 1992; Fazio and Zanna, 1978). If a consumer does not feel confident in an attitude, he or she is more likely to search for additional information before making a decision. Attitudes held with less confidence are also more susceptible to change.

One of the most widely accepted frameworks of the relationship between attitudes and consumer behavior is the Extended Fishbein model, also known as the Theory of Reasoned Action (Ajzen and Fishbein, 1980). This model states that behavior is best predicted by intention which is a function of a person′s attitude toward a behavior subject to subjective norms that influence her behavior. The attitudes in this model are developed from beliefs about the favorableness of a behavior and the strength of those beliefs. The model stresses subjective perceptions and evaluations of behavioral consequences rather than objective measures. It also stresses the concept of salience, which implies the individualization of judgments about the consequences of behavior.

The multiattribute attitude model provides insights into the reasons behind consumers′ choices. Different consumers may place varying levels of importance on product attributes and, therefore, evaluate the same product differently. Thus, one consumer may value more highly a yard, garden, and swimming pool. Another consumer may prefer a fireplace, bookshelves, and built-in stereo speakers.

On the other hand, consumers may use the same attributes to evaluate product choices, but have different beliefs about the products and their ability to satisfy their needs. Although both consumers may want a microwave, one may believe that a built-in model is too small and will be difficult to replace while another believes that built-in models can be just as large as a countertop model and will be relatively easy to replace.

Nelson and Rabianski (1988) recognized that the value of single family housing is a function of demographic, economic, and psychographic variables. The housing market segments that they defined in terms of differences in the relative importance of each criterion did not necessarily correspond to simple demographic measures. Appraisers need to identify the housing attributes that different market segments use in selection and pricing decisions. Housing can be classified into major types through the clustering of alternatives seen by most probable buyers as providing similar use, not necessarily the most physically similar properties. The physical and psychological factors that may affect the perception of product attributes by the most probable buyers should be considered (DeLisle, 1985).

The multiattribute attitude model also provides guidance for changing consumer attitudes (Lutz, 1975). The choices are to change the consumer′s beliefs about the product or change the consumer′s ranking of the importance of an attribute. However, whether a positive attitude leads to an intention to purchase a product and, subsequently, to its actual purchase depends on several factors. Attitudes and intentions are more likely to be good predictors of behavior when they are measured at a time relatively close to when the behavior is to occur, before situational influences and unexpected events can have an impact (Cote, McCullough, and Reilly, 1985). Thus, the question "Do you plan to move in the next three months?" will be a more accurate predictor of behavior than "Do you expect to move in the next three years?"

The level of social pressure present in the purchasing situation also affects whether consumer behavior will be consistent with personal attitudes. A consumer may make a socially acceptable purchase of a single family detached house that may not reflect his true preference for a loft apartment. Another limitation to acting in congruence with attitudes is whether a consumer has volitional control, that is, whether she can perform the behavior at will (Ajzen, 1991). A consumer may want to purchase a property, but no lending institution may be willing to grant her a loan.

Self-concept

Self-concept is an organized set of perceptions of the self, comprised of such elements as the perceptions of one′s characteristics and abilities; the perception of oneself in relation to others; and objectives, goals and ideals which are perceived as either positive or negative (Rogers, 1951). Self-concept is now generally viewed in several dimensions: ideal self (what one aspires to be), real self (the way one thinks one actually is), self in context (how one sees oneself in different social settings), and extended self (possessions and artifacts help define who one is) (Walker, 1992). There is some evidence that consumers purchase products that are consistent with the actual self or that are expected to help achieve the ideal (Sirgy, 1980; 1982). Purchases and ownership that may appear economically irrational may be explained through the concept of extended self where objects may take on characteristics that go far beyond their utilitarian features and people may develop deep and complex attachments to them (Belk, 1988).

Real estate can be a viewed as part of the extended self, an object that helps to form identity. By their very nature, single family homes almost always perform many highly emotional, individualized, personal roles in the lives of their occupants (Downs, 1989). Consumers will choose to purchase real estate that either fits with their current self-image or is associated with the ideal image they want to achieve. This may be reflected in both choice of housing style and neighborhood.

Personality

Personality accounts for consistent patterns of behavior based on enduring psychological characteristics (Kassarjian, 1971). It is the pattern of traits and behaviors that makes one individual unique and different from all others. Personality may be described using the psychoanalytic, socio-psychological, or trait-factor theories.

Psychoanalytic theory asserts that the human personality system consists of the id, ego, and superego (Wells and Beard, 1973). The id seeks immediate gratification for biological and instinctual needs. The superego represents societal and personal norms and serves as an ethical constraint on behavior. The ego mediates the demands of the id and the prohibitions of the superego. The dynamic interaction of these components results in unconscious motivations that are manifested in human behavior.

Socio-psychological theory states that the individual strives to meet the needs of society while society helps the individual to attain his or her goals (Hall and Lindzey, 1970). Social variables are considered to be the most important determinants in shaping personality. Behavioral motivation is directed to meet those needs.

Trait-factor theory contends that an individual's personality is composed of distinct predispositional attributes called traits. Traits are relatively enduring ways in which one person differs from another. These traits are common to many individuals, but vary in absolute amounts among individuals. Traits are expected to exert fairly consistent effects on behavior regardless of the environmental situation (Buss and Poley, 1976).

In general, personality appears to be related to how consumers make decisions about innovative products (Foxall and Bhate, 1993). For example, people who have a high need for cognition enjoy the effort of information-processing activities and may actively seek and consider more information about a product. Consumers' response relative to risk is related to personality. Risk takers tend to be thrill seekers with a need for stimulation and easily become bored. They are likely to list success and competence as their goals in life in contrast to risk avoiders, who list happiness as their first choice (Farley, 1986). Some consumers are more self-monitoring, that is, they are less influenced by external forces than others (Snyder, 1979).

Thus, a consumer's personality may affect his real estate investment choices. A risk taker is more likely to consider purchasing a run-down property in a marginal neighborhood, planning to improve the property and take advantage of neighborhood improvements. A risk taker would also be more likely to choose an adjustable rate mortgage than a risk avoider, no matter what the financial comparison shows.

Lifestyle

Lifestyle refers to the distinctive ways in which consumers live, how they spend their time and money, and what they consider important -- activities, interests and opinions.

Lifestyles evolve over time, so consumption patterns may change over time (Kelly, 1955; Reynolds and Darden, 1974). Psychographics is a common technique used to measure lifestyles based on a consumer's activities and demographic characteristics (Demby, 1989).

Consumers will purchase real estate services that are compatible with their lifestyle. Thus, an outgoing, athletic young single who values social interaction will likely place greater value on an apartment that has access to a swimming pool, tennis court, and activity center. Meanwhile, an inner-directed, sedentary young single who values privacy and solitude might value an apartment with a private balcony more.

External Determinants of Consumer Behavior

Reference groups

Reference groups are individuals or collections of people whom the individual uses as a source or point of comparison for attitudes, beliefs, value or behavior. Consumers belong to some of the groups that influence their consumer behavior and either aspire to join or work to avoid association with others. Some of these groups are formal groups, such as the American Real Estate Society, and others are simply informal groups of friends. The level of influence a particular reference group has on an individual depends on cultural pressures, fear of deviance, commitment to the group, and group unanimity, size, and expertise.

Reference groups affect consumer choice in three principal ways: normative compliance, value-expressive influence, and informational influence. Normative influence is when reference groups affect behavior through pressure for conformity and compliance. This pressure is most likely to be felt when the consumer feels the rewards from compliance exceed the cost (Homans, 1961), there is strong motivation for social acceptance (Bearden and Rose, 1990), and the product is publicly conspicuous in its purchase and use (Miniard and Cohen, 1983). Value-expressive influence is when a need for psychological association with a group is evidenced by acceptance of its norms, values, or behavior and a conforming response is made. The desired outcomes are enhanced image in the eyes of others and identification with people who are admired and respected. As an informational influence, consumers often accept the opinions of others as providing credible and needed evidence about products (Burnkrant and Cousineau, 1975). Research consistently demonstrates that personal word-of-mouth influence has a more decisive role in influencing behavior than advertising and other marketer-dominated sources (Herr, Kardes, and Kim, 1991). Greater perceived credibility is the deciding factor.

Each real estate consumer is influenced by her unique set of reference groups. A consumer who is a member of an investment club might be influenced to make different real estate investments than a consumer who relies on family members for guidance on investment philosophy. A consumer who a member of a particular church may be influenced to move to a community where other church members live. A couple wanting to belong to a social group that regularly holds large parties may purchase a large home with entertaining in mind.

Culture

Culture consists of society′s beliefs, values, ethics, customs, shared meanings, rules, rituals, norms, and traditions. Culture provides people with a sense of identity and an understanding of acceptable behavior. Culture is deep-seated and enduring, but does change slowly over time. Values represent beliefs about life and acceptable behavior. Values express the goals that motivate people and appropriate ways to attain these goals. The values that dominate a nation define its national character. National character is the enduring personality characteristics found among the population of a nation (Clark, 1990).

Some enduring American core values include achievement and success, activity, efficiency and practicality, progress, material comfort, freedom, and individualism. The origin of these values is described by Arensberg and Niehoff (1980) as coming from life on the frontier of a “new world” in combination with Calvinist doctrine, English law, and ideas of egalitarian democracy and a secular spirit from the French and American revolutions. Some of the trends marketers are watching in the U.S. include growing environmentalism, decreased materialism, increased emphasis on self fulfillment, and increased emphasis on the home and family (Roper, 1988).

Personal values reflect the choices an individual makes from the social value systems to which that individual is exposed. Individuals are influenced by social values of groups to which they belong (nation, religion, family), but they choose from these various social values to develop their own personal values. Personal values have been linked to brand choice and product usage (Valette-Florence and Jolibert, 1990; Vinson, Scott and Lamont, 1977).

Cultural norms that affect real estate demand include beliefs about whether each child should have a private bedroom, but a shared bath. Cultural rituals such as formal holiday dining influence the preference for a formal dining room. In our society, families with aging parents may prefer an attached in-law apartment that allows relatively independent living rather than incorporate the elderly relative into the primary household. The value placed on individualism is reflected in the demand for customized homes. Builders would be wise to watch changing cultural values, producing properties that are more environmentally friendly and housing layouts that are more suitable for family activities and interaction.

Subculture

Subcultures are racial, ethnic, religious, or other groups whose members are distinguishable from the general population and who are held together by common culture and/or genetic ties. To the degree that people in an ethnic group share common customs, values, rituals, and traditions that are different from those of other ethnic groups or the larger society, they constitute a distinct ethnic group (Hirschman, 1982). Major subcultures in the U.S. include Asian-Americans, blacks, and Hispanics, as well as religious microcultures.

As an example of how a consumer's subculture may affect real estate demand, some Asian-Americans are sensitive to design and location of home as these affect a home's chi, an invisible energy current that is believed to bring good or bad luck. A home can bring good feng shui by rounding curves to bring gentle chi which travels on a curved path while stopping harmful chi that travels in straight line (Fost, 1993). A home without the proper design elements would not be an acceptable real estate alternative.

Social Class

Social stratification represents the hierarchical division of members of a society into relative levels of prestige, status and power (Rossides, 1990). Social class refers to divisions based on economic and demographic characteristics. Those in same stratum have roughly similar consumption, lifestyle, and income, and socialize with each other. While upward and downward mobility is possible in the U.S., most Americans tend to remain in the stratum into which they were born (Tyree and Hodge, 1978).

Nine variables have emerged from the research as most important in determining social class: the economic variables of occupation, income and wealth; the interaction variables of personal prestige, association and socialization; and the political variables of power, class consciousness and mobility (Gilbert and Kahl, 1982). Most people feel comfortable when they are with people of similar values and behavior and limit their social interactions to their immediate social class.

Possessions are symbols of class membership, with wealth reflected in the items purchased. The most important possession decision reflecting a family's social class is the choice of where to live, both the type of home and the neighborhood. Thus, social class will affect what neighborhoods and architectural design consumers will consider for housing. In addition, housing layouts must accommodate the furniture and living style of members of each social class. People trying to move up through the social class structure might choose a house and neighborhood that they think members of the higher class would choose.

Family

The most influential reference group is the consumer's family. The family teaches the consumer cultural values that have a substantial impact upon shopping behavior. It continues to be a point of reference even when the consumer has formed his own household.

Many products are purchased by the family unit rather than individuals. Family members may play instrumental roles, such as determining the financing and functional attributes of purchases, or they may play expressive roles, supporting other family members in their decision and expressing the family's aesthetic or emotional needs. Family members may be involved in real estate decision making as gatekeepers, influencers, deciders, buyers, users, and maintainers. The gatekeeper may initiate the purchase process and gather the information. Those with the most expertise may exert a less direct influence. The decider is usually the person with the financial authority and power to choose how money will be spent. The buyer handles the actual transaction and the users and maintainers are the ones who receive the benefits of the purchase.

The role structure of the husband and wife in consumer decision making varies with the type of product, stage in decision process, and nature of the situation. Changes in family structure increasingly are causing husband and wife decisions, including those about housing, to be made jointly (Qualls, 1982). Thus, the real estate broker must appeal to both spouses in making a sales presentation.

Families change over time, passing through a series of stages called the family life cycle (Wells and Gubar, 1966). The traditional family pattern has been single, then married, married with children, empty nest, retirement, and widowhood. Changes in household and family structure have resulted in many people no longer following the traditional process, delaying marriage, having children out of marriage, and divorcing and remarrying. This creates demand for a wider variety of housing options throughout the life cycle. It also makes it more difficult to estimate demand for housing types based on demographic factors.

CONCLUSION

A significant portion of the study of real estate deals with the consequences of consumer decisions regarding real estate assets and services. Appraisal attempts to estimate the value of property to consumers. Market analysis attempts to predict consumer demand for real estate services. Investment analysis examines the required and expected rate of return to an investor, and finance analyzes consumers' mortgage choices and likelihood of repayment. The study of consumer behavior involves trying to understand complex human beings and the reasons they act the way they do in the marketplace. It recognizes that consumer decisions take place inside a person who is distinctive in his personality and attitudes, yet similar to other consumers who have been exposed to the same external influences of culture and society. Rather than ignoring these complexities, real estate researchers should embrace the study of consumer behavior to better understand the reasons behind market choices.

Within appraisal, the sales comparison approach estimates the value of a property based on what consumers are willing to pay for individual components of the property. The study of consumer behavior examines why people value those components, which people value those components, and why preferences change over time. A review of the consumer behavior literature would suggest that buyer/seller attributes be explicitly considered in appraisal to determine market characteristics and the properties considered to have the same utility and amenities (Ratcliff, 1965; 1972).

Attitudes, lifestyle, and tastes affect consumer preferences for space. Market analysts should not rely exclusively on census-based economic and demographic data from which they infer information about consumers (Rabianski, 1995). Megbolugbe, Marks, and Schwartz

(1991) contend that the incorporation of information about consumer attitudes, preferences, and perceptions into economic models of housing demand is critical to any reduction of the large margin of unexplained variance in housing consumption behavior.

The importance of the individual in the study of investments is reflected in the discussion of investment value. The value of a particular property to an individual investor reflects the investor's unique situation with respect to such factors as taxes, investment objectives, financing opportunities, and the need for liquidity (Corgel, Smith, and Ling, 1997; Lusht, 1997). Each person may vary as to level of risk aversion as well.

The incorporation of consumer behavior concepts into traditional real estate study in these and other areas will improve understanding of individual decision-making in a real estate context. This understanding will lead to better explanations and predictions in real estate markets and, as a result, greater success in the marketplace.

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