

Witte, Carl L., Grünhagen, Marko and Gentry, James W. (2008)

“An Empirical Investigation of Framing Effects in Negotiations: A Study of Single-Family Home Sales”

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Abstract

This paper integrates Prospect Theory and the concept of framing in a study of consumer negotiated pricing in a real estate context. Building on previously conducted experimental designs, a field survey indicated that home sellers using sales price as a reference point display greater willingness to make concessions than those who use equity as their reference point. Further, the third party influence of the realtor was shown to alter Prospect Theory predictions so that even equity-based sellers became concessionary.