



# ENDOWMENT EFFECT

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## ABSTRACT

In this project we investigate evidence of the endowment effect changing the value that buyers assign to contracts in the BYU housing market. The effect can change supply curves in a way that decreases surplus in the market, and can extend the amount of time a contract is on the market due to reluctance on the part of the buyers to discount prices.

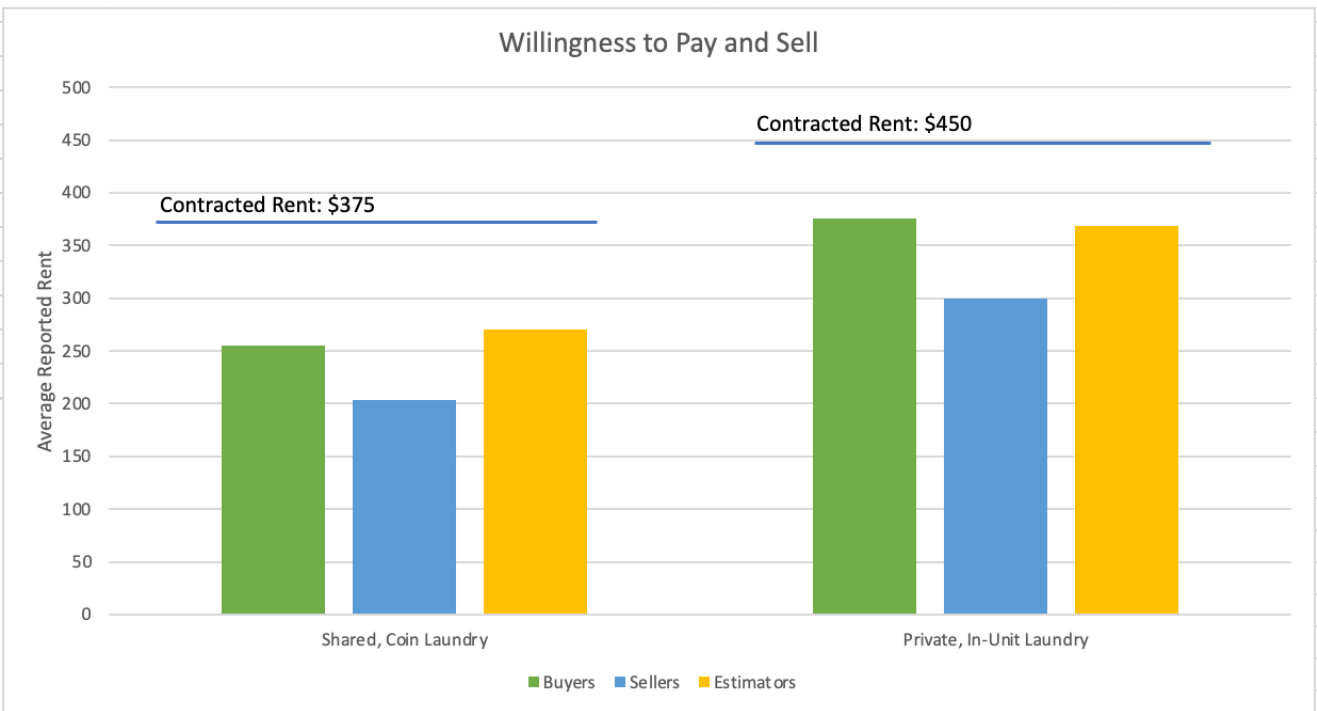
## SUMMARY STATS

Variable	Obs	Mean	Std. Dev.	Min	Max
College student	15	.067	.258	0	1
School year	15	2.867	1.187	0	4
Current resident	15	.267	.458	0	1
Gender	15	1.8	.775	1	4
Age	15	21.8	2.042	19	25
Treatment group	15	2.067	.884	1	3
Private price	15	321.667	84.93	150	400
Shared price	15	273	69.354	175	450

## RESULTS

Private price	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
College student	53.48927	196.0276	0.27	0.792	-398.5513	505.5298
School year	15.55864	44.86354	0.35	0.738	-87.89687	119.0141
Current resident	-111.2818	67.27483	-1.65	0.137	-266.4178	43.85428
Gender	-7.993879	44.12858	-0.18	0.861	-109.7546	93.76681
Age	-5.178978	21.49128	-0.24	0.816	-54.73795	44.38
Treatment group	3.764918	31.37287	0.12	0.907	-68.58104	76.11088
cons	422.6843	425.6809	0.99	0.350	-558.9375	1404.306

Shared price	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
College Student	-79.45794	176.1345	-0.45	0.664	-485.6248	326.709
School year	-22.67391	40.31073	-0.56	0.589	-115.6306	70.2828
Current Resident	73.72318	60.44769	1.22	0.257	-65.66945	213.1158
Gender	-14.72619	39.65035	-0.37	0.720	-106.1601	76.70769
Age	-2.604571	19.31031	-0.13	0.896	-47.13423	41.92509
Treatment group	2.545072	28.18911	0.09	0.930	-62.45913	67.54927
cons	401.6632	382.4822	1.05	0.324	-480.3424	1283.669



## METHODS

We sent a survey to BYU students evaluating their willingness to buy or sell an apartment. Respondents were assigned to be buyers, sellers, or independent evaluators. We ran an OLS regression to evaluate the treatment group effects on apartment price while controlling for other relevant factors.

## DISCUSSION

We found the effect was the opposite than the endowment effect would predict. The sellers actually offer significantly lower prices than buyers and evaluators.

## CONCLUSION

A plausible explanation is that the sellers are percieving potential future losses and are willing to offer lower prices than necessary to avoid those losses. This can be motivated by loss aversion but leads to excess discounts and money left on the table.