

How fear of missing out can lead to you paying more when buying a home

June 26 2024, by Park Thaichon



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The property market is a competitive space where finding a nice home, in the area you want and at a price you can afford, is a hard thing to do.

With buyers outnumbering available properties, the pressure is even greater, causing some would-be buyers to develop [a fear of missing out](#) (FOMO) and to make irrational decisions.

FOMO might make you worry that others are finding nicer homes and getting better deals, or that prices will rise to the point where you are priced out of the market altogether. This could cause you to pay too much or to buy a property in an area unsuitable for your needs.

Then there is [fear of making a mistake](#) (FOMM), which can also cause problems if you're a home hunter. You might be reluctant to bid or to negotiate because you are afraid of choosing the wrong property or paying more than it's worth.

Problems caused by FOMO and FOMM

The principles of contagion theory, crowd psychology and the scarcity principle we identified in [our research](#) on panic-buying during the pandemic can be applied to any purchasing decisions. In this instance, we applied them to buying properties in a competitive housing market.

[Contagion theory](#) applies when people act irrationally under the influence of a crowd. [Crowd psychology](#) is similar but relates to how a crowd behaves in certain circumstances, while the [scarcity principle](#) is the idea that if there are fewer items available, their value increases.

Each of these can increase the likelihood of several behaviors when purchasing a property. These include:

- Underbidding and overbidding: Fearing other buyers might get the house, house hunters might get caught up in a bidding war and end up paying more than planned.
- Conversely, buyers with FOMM might [fear](#) spending too much,

so bid too low to start with and risk losing the house.

- Following the crowd and peer pressure influence: Buyers might feel [pressured to buy](#) in a certain area because it's popular, even if it is not best fit for them. This can lead to paying more for a house just because others are doing the same.
- Delaying decisions: FOMM can lead to [taking too long to decide](#). This delay can mean missing out on good deals or being forced to rush into a decision and end up overpaying.
- Avoiding negotiation: Some buyers might avoid negotiating the price or special conditions such as building and pest inspections and finance approval because they fear the seller will reject their offer. This can result in paying more than they need to if there are problems later.
- Excessive inspections and appraisals: While inspections and appraisals are important, too many can suggest indecisiveness driven by fear, resulting in wasted money on unnecessary assessments, and more importantly, wasted time and delayed decisions.

Removing fear from the buying process

Start with thorough research and preparation by learning about different neighborhoods and house prices. The history of properties and suburbs can be found for free on property websites and it is a good place to start.

Seek professional guidance from real estate agents or financial advisers to help you through the process.

Get insights on market trends from an agent from a selling company or bank to help find homes that meet your criteria. Keep in mind these agents will get some form of incentive from your purchase.

All the big banks or loan officers can provide free property reports on

specific properties or suburbs.

Don't forget to check council mapping and water authority documents to check for potential future road projects and other developments and for an area's flood rating.

Perform due diligence by thoroughly inspecting properties and reviewing contracts to ensure they meet your needs and are a good investment.

For example, it is a good idea to hire a home inspector to check for any hidden issues before making an offer.

Another common mistake made by most [buyers](#) is not asking their [solicitor](#) to check and give suggestions before signing a contract or offer.

A solicitor can check the sale contract before you sign, review the disclosure documents, give advice on your mortgage contract, carry out title searches and explain the results and explain how the purchase may affect your liability for land tax.

Do some contingency planning by preparing for unexpected price increases and for the presence of other strong bidders to reduce anxiety about making the wrong decision. Setting aside extra funds could help deal with higher than expected prices or unexpected repairs that need doing.

In the end, plan well and make decisions without letting emotions take over. Taking your time to find the right home that fits your budget and goals, rather than rushing into a purchase due to fear of missing out or making a mistake.

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