

# Decision Processes Colloquia

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**Monday, September 17, 2012**

**Where:** JMHH 340

**When:** 12:00 noon to 1:20 PM

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## **Projection Bias in the Car and Housing Markets**

**ABSTRACT:** Projection bias is the tendency to overpredict the degree to which one's future tastes will resemble one's current tastes. We test for evidence of projection bias in two of the largest and most important consumer markets – the car and housing markets. Using data for more than forty million vehicle transactions and four million housing purchases, we explore the impact of the weather on purchasing decisions. We find that the choice to purchase a convertible, a 4-wheel drive, or a vehicle that is black in color is highly dependent on the weather at the time of purchase in a way that is inconsistent with classical utility theory. Similarly, we find that the hedonic value that a swimming pool and that central air add to a house is higher when the house goes under contract in the summertime compared to the wintertime.