Endowment Effect Tax — Working Paper (Industry Study)

Version 1.0 • Date: 2025-11-15 • Author: PropTechUSA.ai • Funding: Local Home Buyers USA

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OBJECTIVE
Quantify how overpricing (the Endowment Effect) impacts Buyer Demand (BDI), Risk Complexity (RCI),
and Cost of Certainty (CoCI), and translate that into an expected dollar impact on seller net proceeds.

SCOPE & SAMPLE
• Window: 12 months ending 2025■11■01.
• Units: Failed/withdrawn MLS listings matched to public records (n=500) across multiple counties.
• Selection: Distressed/repair■needed and “as■is” leaning properties where disclosed; owner■occupied
and vacant included.

VARIABLES
• DOM (days on market): median, p25, p75.
• List■to■sale delta (%): median.
• Concessions (% of contract): median.
• Price reductions: count.
• Fallout rate (%): contracts that did not close / total contracts.
• Holding cost per day (USD): property■specific estimate (tax, insurance, utilities, opportunity cost).

INDICES (INTERNAL METRICS, NOT INDEPENDENT STANDARDS)
• BDI (Buyer Demand Index): scaled 0–100 from normalized showings/leads/offer velocity proxies.
• RCI (Risk Complexity Index): scaled 0–100 from unknowns vs knowns (condition, title, access).
• FOS (Friction to Offer Score): scaled 0–100 from access, disclosures, occupancy, clutter.
• CoCI (Cost of Certainty): dollarized function of time × variance × execution risk.
Example (simplified): CoCI = HoldingCostPerDay × E[DOM] + E[Concessions] + E[Fallout] × LossIfFallout.

CONTROLS
• Price band normalization; sub■market fixed effects; week■of■year (seasonality) dummies; mortgage■rate regime bucket; disclosure/condition flags when available.

OUTLIERS
• Two■sided trimming at 2.5% tails for primary variables; sensitivity re■run without trimming.

SENSITIVITY
• DOM: (20, 45, 80) days; Concessions: (0.5, 1.5, 3.0)% ; Fallout: (5, 12, 20)%.
• Reporting uses ranges and confidence bands; single■point examples labeled “illustrative.”

LIMITATIONS
• MLS data availability varies by market; disclosed vs undisclosed condition leads to measurement error.
• Internal indices (BDI/RCI/FOS/CoCI) are proprietary constructs; calibration may evolve over time.
• Not investment advice; local micro■market variance applies.

PREREGISTRATION & REPLICATION

• A timestamped protocol (hypotheses, inclusion/exclusion, transformations) is maintained privately and available to qualified auditors under NDA.
• We provide anonymized summary data (counts, medians, percentiles) at: /research/endowment-effect-tax/summary.csv
• Reviewers can request county aggregates where permitted by MLS rules.

CONTACT

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Subject: “Replication Request: Endowment Working Paper”