

# Making Choices in the Housing Market: A Social Construction of Housing Values

Liis Ojamäe

*Tallinn University*

*Narva mnt 25, 10120 Tallinn, Estonia*

*Phone: +372 6199 883, e-mail: liis.ojamae@tlu.ee*

## Abstract

This article aims at analysing how housing choices are formed in the particular housing market contexts and in the interplay with professional market practices, which is especially topical for understanding the functioning of the contemporary marketised housing fields. The research is based on a qualitative study, conducted in the submarket for new suburban housing, during the recent housing market boom in Estonia. As an example of a young housing market it offers a good basis for analysing the formation of housing demand in developing markets in Central and Eastern European (CEE) countries and elsewhere. The study implies the need to incorporate socio-cultural elements into empirical models of housing market behaviour. Specifically, the study indicates the importance of particular socio-economic contexts, in terms of institutional structures as well as individual capacities, in shaping the social power of different market actors and thus also value-formation in the market.

JEL classification codes: R21, R31, Z31

Keywords: housing market, housing value, housing choices

## Acknowledgements

The paper is a part of a larger research project. Some of the material has been previously presented at seminars at the Max Planck Institute for the Social Science, Cologne and in various conferences of the CIB W069 'Housing sociology' group. The author would like to express her gratitude to the participants of these events for their comments and suggestions. I also thank the anonymous referees for their valuable comments.

## 1. Introduction

The growing importance of markets organising the housing fields throughout Europe has brought into focus the need to understand more fully the influences of marketisation for the housing field. Following the mortgage market liberalisation and deregulation, especially in the Anglo-Saxon and former state-socialist countries in the CEE region, housing markets have become dynamic and volatile while homeowners are increasingly subjected to more risks (Stephens, 2003; Ronald, 2007, p. 479). Given the intersections between housing access and consumption with the households' well-being, it is alarming for the future welfare provision (Jarvis, 2008). The last housing price boom, resulting in the overinvestment into housing, has made home-ownership a potential source of insecurity (Ronald, 2008). The respective difficulties are especially relevant in Estonia and in other CEE countries; where during the post-socialist period a market-oriented housing system has been implemented. Recent fluctuations in the property market have highlighted the need for more information about the formation of individual housing choices, and about its interrelation with specific market contexts and strategies of professional market actors. The young but rapidly developed housing markets of Estonia and other CEE countries have so far been rarely subjected to research on more socio-cultural aspects of housing market behaviour, yet as a kind of social laboratories these countries can provide useful empirical material for furthering our understanding of the structures of housing demand and housing market trends.

It has been indicated, that for improving the empirical modelling of housing market behaviour, there is a need for further conceptualisation of the nature of value formation in the market, regarding the differentiated roles of distinct actors and specific structural contexts (Kauko, 2004a). Particularly, insights from qualitative analysis could provide in-depth data relevant for developing and refining the more formal models of housing market trends (cf. Watkins, 2008; Wallace, 2008; Smith and Munro, 2008; Kauko, 2004a; MacLennan and Whitehead, 1996). Such empirical research on the housing market has until now been relatively less developed, with notable exceptions providing insights into housing markets as a social phenomenon (Bourdieu, 2005; Smith et al., 2006; etc.), or as a complementary input of concepts used in social analysis into economic approaches (Guy and Henneberry, 2000; Kauko, 2004a, 2004b; etc.). An integration of concepts and methodology from various disciplines is much needed for building a multifaceted knowledge on housing markets. The current study is aiming at providing an added value for the methodology for researching housing markets. Analysing the 'micro-structures' of housing markets, which so far has been more developed in the UK (for an overview, see Smith and Munro, 2008), in the context of young and developing housing markets, could improve our understanding of how consumer preferences and demand evolve and to specify the role of professional actors in these processes. The respective knowledge can be considered relevant for developing the methodology for economical as well as social analysis of housing markets.

The current study has been developed with the aim to approach the market practices of professional actors (supply-side) and residents-clients (demand-side) as being interrelated, that is, by considering them as forming within a dual relationship of structure and agency (Bourdieu, 1990/1994, 2005; Giddens, 1984/1997). It has been aimed at highlighting the importance of market generated meaning structures in the formation of housing demand. Therefore, the study is designed specifically to understand the role of social interaction in the construction of the housing values in the market, and to acknowledge the importance of

social power in shaping the perceptions of reasonable as well as desirable housing choices. The research project underlying the current paper has been focused on a specific period and submarket in Estonia – the market for new suburban housing, during the years of market boom in the middle of the 2000s. The choice of the particular submarket was motivated both by the continuously dominant housing preferences in favour of small-scale housing in Estonia, and the structures of the housing market supply during the specific period, which mostly revolved around the suburban areas surrounding Tallinn. It has been noted that an increasing suburbanisation has been one of the most important changes in the housing field in most of the CEE countries during the post-socialist period (Tammaru et al., 2009), thus the submarket targeted in the current research provides a basis for furthering our knowledge of post-transformation housing market processes in the region.

In the following, the theoretical frame, introduced in section 2, aims to put forward a conceptual basis for furthering an understanding of the formation of housing demand and market choices. It aims at integrating the social constructivist epistemology and an ontological perspective of structure-agency duality, to conceptualise the formation of the value of housing in a marketised housing field. The following sections introduce the research context, data and methods used in the analysis. The results are presented in Section 5, first by focusing on the perspective on the residents as non-professional market actors, and then on the professional actors. The final section discusses the research results and draws together knowledge gathered through the empirical analysis to highlight the implications of the current study for future research.

## 2. Theoretical Framework

### 2.1 Social Construction of Values in the Market

The formation of market value is the focal point for analysing a market – by definition; the question of price formation has also been central in economic theories. However, to understand the strategies and choices of market actors, leading to the exchange of market objects possessing certain qualities, it is necessary to pay attention to the intertwinedness of market value and other dimensions of value attributed to housing: like use, symbolic or sign value. Thus we should address the question of value-formation in market at a broader angle: how various value-attributions inform the choices of market actors who pursue different interests in market, and how these ‘feed back’ through market processes into the creation of new market products – here the residential developments in their material and symbolic dimensions. Following Beckert (2007), this is to discuss one of the central market coordination problems related to the order of market<sup>1</sup>: the constitution of value of the market products, or certain qualities of the products, in the interplay of actors’ preferences and interests.

From the social constructivist perspective, to value a certain object implies to give a specific meaning to the object. A subjective judgement is based on a socially created stock of knowledge (Schütz, 1966/1975), which means that a subjectively given value is structured by a socially shared stock of knowledge and perceived as an objective by an actor. Valued qualities of housing are co-constructed by all actors in the market, participating in

<sup>1</sup> The other two central coordination problems or factors of market order according to Beckert (2007) are competition and coordination.

interactions involving complex and reciprocal influences (Callon et al., 2002). These webs of meanings act as structures, simultaneously constraining and enabling actors' choices (cf. Giddens, 1984), by defining the space of available alternatives: what kind of market choices are perceived as desirable or possible.

Although the various dimensions of housing value are interrelated, the residential values and preferences have to be transformed into market value in order to be exchanged in the housing market. In mainstream economics proceeding with a presumption of a fundamental market value (e.g. see Geltner et al., 2003), and which in more popular forms also informs the ways in which professional market actors give meaning to the market and market values (Callon, 1998; Smith et al., 2006; Mooya, 2009), the market value is understood as an objective feature formed by processes external to the actors. This kind of an understanding treats market value as something shaped by external structural features, such as the established price level and the costs of production materials, which are not alterable by individual actors. However, economists as well as sociologists have increasingly noted the contradictions between the neoclassical understandings of the essence of market value and the ways market value is constituted in real market practices (e.g. see Mooya, 2009; Kauko, 2004a). Although economic factors such as production and labour costs, technical efficiencies, etc., are significant aspects in value formation, in their turn, they are also results of various underlying social processes and structures that shape the formation of supply and demand (Bourdieu, 2005, p. 197; see also Beckert, 2007; Zafirovski, 2000). Moreover, in the housing market with unique market objects, there is always space for subjective estimation; as there is no evenly distributed and easily accessible information, especially in the case of a rapidly changing market. In this sense, market value and prices cannot be considered as natural or absolute, but should be conceived of as socio-cultural and relative outcomes of social processes. This is indicating the need to treat these notions not as given but as variables emerging from specific socio-economic contexts, including market interactions as well as broader institutional structures.

## 2.2 Structures of Social Power in the Housing Market

The complex nature of housing as a consumption good, investment commodity (Bourdieu, 2005, pp. 19-23) and a distinctive symbolic component of residence is the reason why the housing market represents a rather specific type of market. Despite a common understanding of market competition as delivering a greater heterogeneity of market products, whether or not housing market processes lead to a greater range of choices for clients, is depending greatly on particular economic, social and political contexts, favouring or blocking particular market strategies (Beckert, 2007). In the industrialised world, the spread of neoliberal values on the political scene, and the respective reorientations of national governments along with the globalisation discourse, has resulted in the reduction of state involvement in housing provision in most of the Western countries. In the CEE countries, respective transformation has been especially profound and rapid. Mostly by means of different restitution and privatisation schemes, the majority of these countries now represent real 'home-owner-societies' (Kemeny, 1995; Cirman, 2006). Estonia with an owner-occupation rate of 88 per cent has been noted to rank in the highest position in the EU-25 (as of 2004; Europe in Figures, 2005). However, such a high level of owner-occupation is characteristic to many

CEE countries<sup>2</sup>, thus Estonian experience can be relevant for analysing the housing field processes also in those countries having recently undergone a profound societal and economic transformation.

From the perspective of an individual resident, marketisation of housing field is related to the changing roles of residents, who as market actors have to struggle in the market vis-à-vis other actors, having their own specific interests. As indicated by Bourdieu (2005), the reality of housing markets presents itself as a social arena where actors have a different position and power to pursue their own interests. The strategies and space of actions are defined for actors by their position in the field in relation to other actors. It is influenced by the distribution of different forms of capital among actors (Bourdieu and Wacquant 1992), and also by the legitimate norms and institutionalised forms of conduct specific to the field. The always contested power to shape these principles or rules of the game is gained by virtue of key capitals in the field. In the housing market, higher position is not only determined by the possession of economic capital. It is also dependent on the cultural capital of actors that leads them to make knowledgeable choices in the market. It should be stressed that the notion of cultural capital, as developed by Bourdieu (e.g. see 1990/1994, 2005), is distinct from the concept of human capital. It includes the values, norms, knowledge, experience etc. acquired by a person throughout their lifetime; in addition to the early socialisation in the family and school it is also formed by the later experiences of acting in the various field of human conduct (e.g. work, family, education etc.). In addition to economic and cultural capital, the actor's social position in a market is related to their ability to mobilise social and symbolic capital. Symbolic capital is formed on the basis of acknowledgment by other actors in the field, thus attributing power to the particular actor (Bourdieu, 1990/1994), and influencing how the roles and role-specific behaviour is perceived and practiced by market actors (Diaz-Bone, 2007, p. 259). The combination of the volume and nature of the different species of capital forms a person's overall capacity to act (Paadam, 2003) in different structural circumstances. In principle, professional actors' regular practices in the market indicate their more advantageous position to gather respective capitals, or capacity, and to gain higher power positions in the market in comparison to clients who turn to the market for shorter periods only, in order to satisfy their special needs. However, the power positions of distinct market actors need to be specified in the particular market contexts.

The theoretical framework, informing the subsequent analysis of empirical material, can be concluded as follows. Understanding the formation of housing demand can be enhanced by taking into account: 1) the value of housing is socially constructed in market, in the interactions taking place between different actors in particular temporal and spatial contexts; 2) market actors hold distinct positions and capacities to pursue their interests in market, to interpret the strategies of other market actors as well as to influence the value formation in market according to their own market interests. Specifying, how these aspects are played out in concrete market contexts, enables to better understand the formation of the structures of housing demand and clients' market behaviour.

<sup>2</sup> In 2005, only in Poland the share of owner-occupation was below the EU-25 average (data for Bulgaria and Rumania not available, Eurostat).

### 3. Research Context

The present situation in the Estonian housing field has been formed by radically different periods in Estonian history, whereas the state-socialist Soviet period and the societal transformation after regained independence in 1991 play a major role. The majority of the housing stock today is composed of blocks of flats of different sizes, mostly built under the Soviet system: 71 per cent of households are residing in flats (as of 2007, Statistics Estonia). Another significant feature is a distinct ownership structure: 96 per cent of the dwellings are in private ownership (Statistics Estonia), while the owner-occupation rate is 84 per cent (as of 2006, Social Trends 4, 2007). Like in many other CEE countries (Fisher and Jaffe, 2000; Cirman, 2006), such a strong dominance of home-ownership in Estonia has largely resulted from ownership reform initiated in the beginning of the 1990s.

The property market in Estonia, like in other CEE countries, is young compared to mature market societies, but has undergone rapid development. The regained independence, reorientation towards market relationships and the initialisation of the ownership reform at the beginning of the 1990s created the institutional space for a property market to emerge and develop. Previously dominating state provision was sharply withdrawn and the centrality of market relations in regulating the housing field was institutionalised by the legal system. The housing market development intensified in the middle of the 1990s, with the peak of the privatisation of flats and a progressing land reform. During 1995-1997, the prices in more active market segments were increasing 15-30 per cent per year (Elamistingimused, 2000). The development of the housing market was interrupted in 1998-1999 by a crisis in the Russian economy, which at the time was still the main economic partner of Estonia. By 2000, the property market had recovered from the 'Russian crises' along with other economic sectors, the land reform was nearly completed, and the number of market transactions started to increase at an accelerating speed. Since the end of the 1990s, property prices and the number of transactions have demonstrated a rapid increase until the year 2007. By 2008-2009, the housing market had fallen into a rather deep decline, along with the major economic crisis of the industrialised world.

The number of residential property transactions increased from 2000 to its peak in 2006 by 5.6 times, and has since decreased 1.9 times by the end of 2008 (Statistics Estonia). In 2005, with a 28 percent rise in housing prices, Estonia was considered to be 'the foremost house price inflation country of the past few years' in Europe (European Housing Review, 2006, p. 5). In Tallinn and the surrounding Harju County, the prices of residential properties rose on average at the rate of 10-30 per cent per year during 2000-2007 (Statistics Estonia). The property market boom was paralleled by a rapid increase in housing construction, especially in Tallinn and its surrounding areas. Still, according to official statistics, only 4 percent of the current housing stock in Estonia is built later than 1991<sup>3</sup> (Statistics Estonia); and the annual share of new construction has been less than 1 percent during the booming years as well.

The increasing levels of housing demand were supported both by the growth of household incomes and increasingly accessible housing loans. During 2001-2006, the real household

<sup>3</sup> The official statistics only register new dwellings that have been granted an official use permit by the local government. It is known that a number of new dwellings are used without a permit, so they are not registered in the official statistics. A recent Social survey (2006, Statistics Estonia) allows suggesting the share of new construction to be 6-7 percent. More exact data is expected to be gathered by the next census in 2011.

incomes increased by 53 percent (Statistics Estonia). The ratio of a flat's price per square meter (median of all of the transactions through the year) to the average monthly gross wage per year has risen from 1.09 in 2003 to 1.98 in 2006 and slightly decreased to 1.87 in 2007 and to 1.61 in 2008 (Statistics Estonia, author's calculations). Therefore, the affordability of housing was decreasing during the booming time period up until 2006, although the price increase was partly compensated by more favourable housing loan conditions. The loan growth rate of Estonian households increased rapidly in the 2000s and has been one of the largest among the new member states of the EU. The ratio of household debt to the GDP rose from 8.5 percent in 2000 to 41 percent by the end of 2006 (Tamm, 2007). The stock of housing loans granted to individuals increased more than 21 times during 2000-2008, from 4,479 million kroons to 97,155 million kroons (Bank of Estonia). The rapid growth of loan stocks in Estonia and in the other CEE countries is partly caused by the specific historical developments, and a number of 'old' EU and Nordic countries show considerably higher levels of debt-to-GDP ratios (Kask, 2006). Nevertheless, it indicates a rapid change in the households' loan-taking and housing financing behaviour in Estonia, as well as in other CEE countries. As the increase of loan stocks has been initialised by the housing market processes fostering demand, increasing the knowledge about the formation of housing demand would also enable the understanding of the causes as well as implications of such radical changes in the financial behaviour, on the individual as well as institutional levels.

#### 4. Research Methods and Data

The research methodology was designed specifically to analyse social mechanisms underlying the constitution of values in market interactions from the perspective of actors having different roles and interests in the market: the residents as clients and the professional actors. The strategy of a multi-method approach (Flick, 2006) was chosen with an aim to provide multifaceted and in-depth knowledge of the processes under focus.

The empirical research is based on two closely related qualitative studies conducted during 2006-2007 in Tallinn and Harju County. The aim of the first empirical study (see also Ojamäe, 2007) was to investigate professional actors' perspective on housing market processes, their identities and strategies as market actors, and their interpretation of residents-as-clients' strategies in market. The analysis corpus was compiled of diverse materials: in-depth interviews with market actors (16 interviews, January-March 2006, see Appendix), and various textual materials produced by professional organisations and real estate companies (regulations set by professional bodies, media articles, sales brochures, etc.).

The first study was followed by a more focused case study with the aim to concentrate mainly on the market experiences of residents who have recently acted in the market and have moved into a new residential development. The case study area, developed since 2005 in a previous woody natural area, is located in a small town 20 km away from Tallinn. This small upper middle class suburban area has a good connection to the local town's infrastructure and natural parks, has preserved a lot of its former natural beauty and has a mixed built structure: semi-detached houses built by one developer using several subcontractors (44 units), and detached houses built by the new owners-residents (22 houses). The in-depth interviews were conducted from May to July 2007; from ca 35 families living in this still-developing area during the period, 12 agreed with the interview (see Appendix).

Besides residents, also a representative of the town government and a broker (also a formal representative of the developer at the period) were interviewed. The interview data was complemented with extensive observations on spot, informal talks with residents and observations of participants involved in sales and marketing practices of the property companies active in the area.

The analysis of in-depth interviews followed the standard procedures of a qualitative interview analysis, drawing especially on the principles of constructivist grounded theory methodology (Charmaz, 2006). The analysis of research material began in parallel with data gathering. Every interview contributed to the accumulation of the initial analytical frame, which in turn informed the conduct of the following interviews, and the theoretical frame of the research was finalised after the initial empirical analysis was completed. The transcribed interviews were initially analysed by an open coding which was informed – but by no means predetermined – by the general theoretical frame of the research and simultaneously open to new categories to emerge from the material, thus ensuring that the categories were created through a close reading and interpretation of the data. The initial codes were drawn together into a conceptual scheme and were related to larger categories. This enabled to identify the discrepancies and gaps in the initial analytical frame and informed further data gathering and analysis. Data collection followed the saturation principle (Charmaz, 2006), meaning that the amount of interviews was decided on the basis of the profoundness of the gathered material. In the paper the quotations from interviews are selected to support the analysis, implying that they represent widely applied practice in the qualitative methodology based research.

## 5. Results

### 5.1 Making Sense of a Market Offer

48

In the following, the results are presented with the purpose to indicate the connections between the formation of individual housing strategies and the given market context, including the activities of professional market actors. First the new suburban residents' pursuits towards their ideals in the Estonian housing market are exemplified by analysing the ways they rationalised their choices during the interviews, and how they based their accounts on the perceptions of socially shared housing values as reflected and reproduced in market interaction and communication. Then, professional actors' perspectives on the price-setting and sales practices are analysed, in relation to these actors' perceptions of the clients and the specific context of a booming market.

In every societal setting shared ideal images of residence exist, formed through distinct societal history and being acknowledged by the members of society (cf. Kemeny, 1991; Bourdieu, 2005), informing the actors about the desirability of various market objects. These symbolic values which are more or less successfully (re)constructed as sign values (cf. Baudrillard, 1970/1999) in property development strategies reflect residential identities in its widest sense. The interviewees from the residential case study followed their dream to have a house of one's own, a detached house with a garden. This is an ideal which has subsisted during various periods of Estonian societal history and, interwoven with the pervasive norm of home-ownership in the Estonian housing field (cf. Paadam, 2003), is also dominating the housing preferences today (Paadam and Ojamäe, 2008). As a socially acknowledged



residential symbol, it is representing an achievement in housing ownership, valued for the particular use the house can offer (e.g. garden, autonomy from neighbours, spaciousness etc.), and as a sign of distinct social status in the housing field and in society.

While entering the market, residents used a mixture of information sources in order to get better acquainted with the market, increasing their capacity to act in the market: property databases on the internet, market reviews and ads in newspapers, lifestyle magazines, and also information and experiences from their own social networks. Visiting different sites searching for sales was perceived by residents as a useful strategy to develop and retain a critical stance towards marketing images and to reach beyond marketing slogans which they experienced as prevailing in media sources. However, the context of the boom made it hard for residents to retain a critical mind during market searches. As relatively inexperienced market actors and home owners, the residents were exposed to a rapidly changing environment. The improved financial situation, including access to housing loans, made the dreamed house suddenly more accessible than ever; and the already experienced rise and expected continuous increase in prices was perceived by residents as an external incentive to rush with their choices. The respective argumentation is exemplified by the following quotation:

*We were actually looking around all the time, like trying to find something better /.../ that maybe I would miss the train ... if I don't choose now, then what? Maybe we wouldn't be able to afford it ever again... (R10)*

Clarke and associates (1994) have indicated on the basis of their research on the UK housing market during the market slump in the beginning of the 1990s, that in the property agents' interactions with clients, the price was the critical negotiating point. In the contrasting case of the Estonian booming market, the interviewees' acceptance of the price level set by the seller was fuelled by the residents' fear of losing the chance to 'get on the bandwagon', even if it meant making compromises, among others, the possibilities to properly learn about the property before the purchase. The buyers' sense of 'a ticking time bomb' was also documented in the Christie and associates' study on the Edinburgh housing boom, expressing the interviewees' feelings of anxiety and perceptions of the market to be more likely as a place of potential loss, and not as a financial speculation and gain (Christie et al., 2008, p. 2306). Thus, the actors' perception of the market situation, in this case the assumption that the market is booming and the prices will be continually increasing, acted as a trigger for housing mobility; further fuelled the situation by amplifying such volatile developments and made residents more receptive to the market-generated value hierarchies.

The status-based segregation of the housing field intensified in Estonia after independent statehood was regained in 1991. The contemporary housing production and sales strategies reconstruct the socially shared images of residential traditions in new and modified ways, the intensified marketing strategies increasingly exploit the emotionally-laden symbols like 'home', 'a house of one's own' and 'the new house'. The latter two symbolise preferences that have long been constructed as the often inaccessible ideal (cf. Paadam and Ojamäe, 2008), in sharp contrast with the general characteristics of the existing housing stock and dominant housing conditions in large blocks. This kind of a context created during the booming period a fertile ground for conceiving of the preferred housing choices in a relatively narrow way, on the basis of socially acknowledged symbols which were intensively reconstructed in the

market as marketing images. The formation of the preference towards 'new housing' can be used as an example of how values generated in the marketing and sales activities intersect with the structures of the housing supply and thus can shape individual choice-making. For several reasons, the interviewees from the residential case study were orientated towards purchasing a new house instead of considering other alternatives. On the one hand, the essence of the new was constructed as an antipode to the deteriorated one, so the purchase of a new house was perceived to promise a higher quality (use value) and economic value for the family. At the present moment, a new house would be beneficial considering maintenance costs, and in the future it would form family heritage:

*For five years, it's guaranteed (in a new home) that you don't have to fix anything /.../ From a purely economical standpoint, this is more reasonable. And later, it's easier for those who inherit the house to sell it. It's a newer house, after all. (R6)*

On the other hand, it appeared, that purchasing a new house symbolised more strongly a distinct and personalised residence, which was perceived as not easily achievable in an existing house built for and used by someone else. The possibility of participating in the original design and the interior decoration of the house, even if on such a limited scale as was the case with completed, standard planning semi-detached houses, was considered as a more meaningful strategy than renovating and/or refurbishing the 'used' dwellings.

*In a new house, everything is built to my liking. I couldn't imagine buying an old house, because it would mean that I have to rebuild everything. It's simpler to build a new home according to your own preferences. (RI, from a semi-detached house built according to a standard project)*

The social construction of the meaning of new housing, denoting uniqueness, personality, improvement in individual residential conditions, as well as a guarantee of retaining the value of the dwelling in the future, has been rather overwhelming in market discourse, especially during the first phases of market development until the beginning of the 2000s (Ojamäe, 2008). On the one hand, the structures of the existing housing stock supported the persistence of a high value of the new. The Soviet housing policy favoured the construction of standardised large-scale housing, so the stock of detached housing has been considerably small for a long time, resulting in a limited number of offers on the market for older detached houses. On the other hand, a higher value of new construction was discursively supported by the intensive marketing activities in this market sector and by the societal context of the transformation period where the old, in the meaning of deteriorated and discredited (the past), was contrasted with the new, fresh and clean (the future) also in other fields of society. As an appealing symbol, the particular way how the value of new housing was constructed in the market discourse resonated well with residential preferences, posing a sharp contrast with the general characteristics of the existing housing stock and dominant housing conditions in large blocks.

It also appeared in the current study, that market value as a characteristic of housing was acknowledged by residents as a component of individual preferences beyond the mere affordability at a given moment. From the individual residents' perspective, assessing the value of a dwelling through the dimension of its market value and its potential dynamics in

the future was pursued to build up a sense of financial as well as emotional security in the modern credit-based housing market. In the context of limited market knowledge and experience, information about how the particular types of dwellings and areas are valued in the market formed part of the information base enabling the resident to get convinced about the reasonability of purchasing a certain dwelling. Among others, this is connected with the fusion of the market value and the status value of housing – the expectation that a higher market value would guarantee higher quality in terms of use value, and even more in terms of symbolic and social benefits with a prospect to be identified by a particular residence and fellow-residents.

*/.../ those who buy in newer areas, buy a house or a land parcel or a terraced house or whatever, they do have a good handle on their life, to some extent. (R10)*

As a result of the current analysis, it can be conceived that the residents' acceptance of values created in sales processes and that of the related market value can be considered to form a social mechanism. In the specific context of a young and booming market it facilitated the social construction of meaning for individual practices in the housing market where the stakes are high in the economic as well as the emotional and functional sense. In this respect, the individual capacities to recognise the different ways that the value is defined in the market and distinct interests behind the communication strategies of other market actors are of central significance. The studied market context was characterised by a limited market experience of residents, thus contributing into professional actors' stronger position in shaping the structural circumstances according to their market interests.

## 5.2 Perceiving and Selling the Values

Market value and prices can be considered as the main gatekeepers to residents' entrance to the housing market. In the Estonian housing market, as a rule there is no formally organised bidding, so the price will be settled in negotiations between the broker, the vendor and the buyer on the basis of an initially announced price. The initial pricing will be done by the broker in cooperation with the vendor, whereas the broker might consult with colleagues, including the professional appraisers, but often determines the price alone, by using a loosely structured comparative approach:

*Comparisons are the basis for setting these prices, for example, you look at what is being sold in a given area, what the prices are, how long something has [been on sale] (P6)*

There are no formally prescribed rules of price setting in the price negotiations, therefore, the brokers' interpretations of prices can be influenced by their expectations of the future dynamics of prices, which will be calculated into the prices initially set for the properties. The next quotation exemplifies the brokers' interpretations of a particular market context informing their strategies of price setting and negotiations with the vendor, which were done with the presumption of a continuing increase of prices:

*The main part of the work is to get objects on sale, with prices that are market compatible. Of course, we accept objects that are above market prices, because prices, as we know, catch up at some point over time. (P7)*

Thus, the prices asked for the properties reflected a mixture of the vendor's and broker's perception of the market, and their interpretation of other actors' practices, denoting the socially constructed nature of market value. In the booming market where the recently experienced price rise was also interpreted by the professional actors as a signal of a continuous price increase, the price increase was supported by the price setting practices of sellers. Professional appraising, which by definition could be expected to be the main price setting mechanism, functioned mainly as legitimising the ever higher price levels ex post (Ojamäe, 2007). The claim that price setting practices can have an amplifying effect on price increase, confirms previous research on booming housing markets in the UK (cf. Smith et al., 2006; Munro and Smith, 2008). The current study allows the conclusion that market actors follow a tacit belief in the existence of a 'true' market value in their practices. This conclusion, which confirms previous sociological research of the housing market, appears to be in contrast with the actual sociality and interpretativity which characterise market actions (e.g. Smith et al., 2006; Bourdieu, 2005; Christie et al., 2008; Wallace, 2008; Levy et al., 2008), including price setting and value appraising activities. While estimating the market value of residential property and setting the prices, there is always space for subjectivity and creativity because there are no identical dwellings on the market, no identical individuals estimating their value, and no evenly distributed and easily accessible information, especially in the case of a rapidly changing market. Even when it concerns professional appraisers, who in the Estonian housing market have a legitimate position to deliver an 'objective' estimation of market value, compliance with the formally set procedures is entangled by a subjective interpretation of market interactions (Ojamäe, 2007). A senior appraiser explains:

*Appraising isn't an exact science /.../ there's always that lead way that allows the value to, let's say, be moved around. But that doesn't mean that now it's always possible to get what the client wants or what some other interested parties may want /.../ the responsibility of the appraiser is to find the so-called golden middle, where both parties are satisfied (P2)*

52

The subjectivity does not refer to arbitrariness, because these actors are bound by professional norms and institutional control that prescribe the legitimate ways of conduct. An important element in estimating the market value of dwellings by professional actors is experience, which enables accumulating interpretative skills and intuition about past and future trends in market development. Thus, current research enables a claim that the market value and price of a property is only partly derived from the peculiarities of the property as a physical entity in a certain location in relation to other pieces of property on the market. A part of it is created, or in other words – socially constructed, in market interactions where the individual interpretative capacities and social interactions with other actors, who are following their own interests, play a significant role.

As appeared in the current study, the professional actors used two broad communication frames in their accounts on their market practices, which reflect their relation to the clients and market objects. Within the first frame, housing market choices are perceived as calculated and free of emotion ('rational'), primarily associated with the experienced market actors' investment practices in the market as an economic field. Within the second frame, market choices are perceived as based rather on emotional ('irrational') values that originate from outside the market, and are primarily associated with lay actors' housing choices. The

perceived prevalence of such attitudes is only strengthened by the fact that the emotionally laden consumption meaning of housing – and not the investment aspect – is dominantly present in the ways housing properties are sold in the market. Moreover, although the emotional dimensions related to housing are not present in market reviews, expert articles written in the media, professional prescriptions, etc. (Ojamäe, 2008), the descriptions of market interactions given by profit-oriented actors in the interviews are abundant with emotional and symbolic aspects. Therefore, while the profit-oriented actors' professional identity is primarily built on an understanding of housing as an investment product, the way housing is traded in the market draws comparisons to the trading of any of the short-term consumption products. The use of these two frames creates inconsistencies in the market as they bear conflicting values. The ambivalence of such attitudes is reflected in the next quotation from a broker explaining his daily practices:

*When I take pictures /.../ I actually take pictures of the house looking at what I can put up in the adverts right away, so that it looks as attractive as possible, as well as taking them in a way that they're as informative as possible, if we need to, for example, ask the appraisers for additional advice. (P8)*

Marketing strategies rely extensively on the socially acknowledged housing symbols that are utilised in order to achieve the objectives legitimate in the economic field – the economic profit (cf. Dovey, 1999; Gottdiener, 1995). The sign values constructed in marketing strategies link the consumption of housing with images of status, identities and lifestyles. The need to singularise the market objects to catch the attention of potential buyers was also held as vital in the booming market, especially in relatively standard suburban residential environments, where distinctness needs to be created in marketing images (cf. Gottdiener, 1995) and respective verbal expressions. The following quotation provides an example of the respective argumentations:

*The piece of property itself used to be a storage cooperative, the street names around there were like Ampere.... and things like that. You can't name a development Electrician's or Storage Quarter or whatever, so together with the developer we came up with that Mountain King. It's a very exclusive product... (P7)*

The latter quotation exemplifies how the status of an area, both in terms of market and use value, will be reflected in the name of the area. Initially chosen with the aim of facilitating the sales, it can shape the identity of the area long after the completion of sales. An exploitation of lifestyle or status themes in the imaginary, which is created in the sales of new houses aimed at particular (higher) market segments, is noted in previous research as well (see Perkins et al., 2008). Also in the current study, the creation of the particular image of the new residential developments was found to derive from the anticipations about the expected client groups, however broadly defined, thus creating entrenched 'place myths' (ibid, p. 2067) about the specific imagery and status of the particular residential area and property. It can be suggested that intensifying marketing strategies during the period of boom contributed to the creation of a generally favourable ground for a gradual reconstruction of the meaning of housing into a consumption and status product, thus also manifesting the market professionals' role in determining the value of different types and characteristics of housing.

## 6. Discussion and Concluding Remarks

The claim that the value of housing is socially constructed implies not only the spatial-temporal specificities of value-creation processes. It also indicates the existence of differences between actors' power positions as well as distinctive interests behind value formation in market. The market professionals are the key actors in the process how different value dimensions are transformed into exchangeable measures in the market, thus their market value and price setting practices as well as marketing messages signal the value and desirability of distinct features of housing for other market participants.

The current research enables the claim that in the particular socio-economic context of the booming market in Estonia, where public sector authorities as well as individual residents often lacked the capacity to establish themselves as equal partners in the market, the profit-oriented strategies have had a legitimised status in the housing field. This has contributed to the professional actors' social power in shaping housing values as well as the clients' housing market behaviour in their interests. In the previous research it is asserted that because of the asymmetries in information and market experience, the residents have often less resources to recognise and protect themselves against the instrumental strategies of other actors in an economic field (cf. Bourdieu, 2005). The position of clients has been even weaker in the context of the Estonian booming housing market, for structural reasons. In the studied booming market context, profit-oriented actors had a stronger position in shaping the structural circumstances according to their market interests; such a position was supported by the weakly functioning institutional control systems and the limited experiences of residents as market actors. On the basis of the current study it can be concluded, that the constitution of values in market, and the positions of various actors to set or obey the 'the rules of the game', are shaped by the institutional frames and the state as the imposer of these rules (cf. Bourdieu and Wacquant, 1992; Ojamäe, 2007 for Estonian context). The neo-liberal market and housing policy, characteristic to Estonia during the period of independence, has so far not contributed considerably to raising the position of clients in the housing market.

A social constructivist approach to the formation of housing demand offers a way to gather deeper knowledge about how real markets function, offering a basis for developing further the more formalised models of housing market behaviour. As demonstrated by the current study, and confirming former research on housing markets (Bourdieu, 2005; Beckert, 2007; Zafirovski, 2000 et al.), market value should be conceived of as not an objective notion, but as a result of various social processes. This is indicating that while modelling on housing market behaviour, one needs to consider the specificities of real socio-economic market contexts on the local level. In the current qualitative study on a booming market, the factors contributing into high levels of demand were distinguished on the basis of specifying how it was supported by the particular value-structures, actors' situative interpretations and ways of making sense of the market as a field of action in the concrete market context. Market actors' distinct power positions, shaped by the actor's overall capacity formed on the basis of different species of capital in Bourdieu'sian terms, were also analysed. It was stressed that besides economic and social capital, the actor's market conduct is shaped by his/her cultural capital, including previous market experience. It is also important to consider how the culturally acknowledged residential symbols are socially constructed as marketing images and co-constructed by individual residents, steering consumer demand and defining the desirability of distinct market choices.

As a methodological implication it can be concluded that the influence of a specific market context on the position of professional market actors in the shaping of housing values is in many ways greater than has been acknowledged in previous housing market research. The study has highlighted the need to incorporate socio-cultural elements into empirical models of housing market behaviour, on the basis of in-depth knowledge about the behaviour of and interactions between market actors. Specifically, the study indicates the importance of particular socio-economic contexts, in terms of institutional structures as well as individual capacities, in shaping the social power of different market actors and thus also value-formation in the market.

The empirical analysis has been focused on a particular submarket and housing type, the booming suburban housing in Estonia in the 2000s, thus, informing about the processes under study foremost in the particular housing context. However, it provides knowledge about the influence of market mechanisms and processes on individual housing choices that can also be used for further analysis of other housing contexts, especially the young and developing housing markets of CEE countries. Thus it offers an improved knowledge basis for developing housing market modelling in future research.

## References

- Bank of Estonia. *Statistical Indicators. Loans Granted by Groups of Customers (Loan Stock)*. [http://www.eestipank.info/dynamic/itp/itp\\_report.jsp?reference=13&className=EPSTAT&lang=en](http://www.eestipank.info/dynamic/itp/itp_report.jsp?reference=13&className=EPSTAT&lang=en), accessed March 4, 2009.
- Baudrillard, J. 1970/1999. *The Consumer Society: Myths and Structures*. London: Sage.
- Beckert, J. 2007. Die soziale Ordnung von Märkten. In: Beckert, J., R. Diaz-Bone, H. Ganßmann (Eds.), *Märkte als soziale Strukturen*, pp. 43-62. Frankfurt, New York: Campus Verlag.
- Bourdieu, P. 2005. *The Social Structures of the Economy*. Cambridge: Polity Press.
- Bourdieu, P. 1990/1994. *In Other Words. Essays Towards a Reflexive Sociology*. Stanford, CA: Stanford University Press.
- Bourdieu, P. and Wacquant, L.J.D. 1992. *An Invitation to Reflexive Sociology*. Chicago: University of Chicago Press.
- Callon, M. 1998. Introduction: The Embeddedness of Economic Markets in Economics. In Callon, M. (Ed.) *The Laws of the Market*, pp. 1-57. London: Blackwell Publishers.
- Callon, M., Méadel, C. and Rabeharisoa, V. 2002. The Economy of Qualities. *Economy and Society*, Vol. 31, No. 2, pp. 194-217.
- Charmaz, C. 2006. *Constructing Grounded Theory*. London: Sage.
- Christie, H., Smith, S.J. and Munro, M. 2008. The Emotional Economy of Housing. *Environment and Planning A*, Vol. 40, No. 10, pp. 2296-2312.
- Cirman, A. 2006. Housing Tenure Preferences in the Post-Privatisation Period: The Case of Slovenia. *Housing Studies*, Vol. 21, No. 1, pp. 113-134.
- Clarke, M., Smith, D. and McConville, M. 1994. *Slippery Customers: Estate Agents, the Public and Regulation*. Blackstone Press: London.
- Diaz-Bone, R. 2007. Habitusformierung und Theorieeffekte: Zur sozialen Konstruktion von Märkten. In: Beckert, J., Diaz-Bone, R. and Ganßmann H. (Eds.), *Märkte als soziale Strukturen*, pp. 253-266. Frankfurt, New York: Campus Verlag.

- Dovey, K. 1999. *Framing Places. Mediating Power in Built Environment*. London: Routledge.
- Elamistingimused. 2000. Tallinn: Statistics Estonia.
- European Housing Review. Executive summary. 2006. Retrieved March 9, 2006 from Royal Institution of Chartered Surveyors website: <http://www.rics.org/ehrr>.
- Europe in Figures. Eurostat Yearbook. 2005. Retrieved October 4, 2009 from Eurostat website: [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-CD-05-001/EN/KS-CD-05-001-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-CD-05-001/EN/KS-CD-05-001-EN.PDF).
- Fisher, L.M. and Jaffe, A.J. 2000. Restitution in Transition Countries. *Journal of Housing and the Built Environment*, Vol. 15, No. 3, pp. 233-248.
- Flick, U. 2006. *An Introduction to Qualitative Research*. 3rd ed. London: Sage.
- Geltner, D., MacGregor, B.D. and Schwann, G.M. 2003. Appraisal Smoothing and Price Discovery in Real Estate Markets. *Urban Studies*, Vol. 40, No. 5-6, pp. 1047-1064.
- Giddens, A. 1984/1997. *The Constitution of Society*. Cambridge: Polity Press.
- Gottdiener, M. 1995. *Postmodern Semiotics: Material Culture and the Forms of Postmodern Life*. Oxford; Cambridge: Blackwell.
- Guy, S. and Henneberry, J. 2000. Understanding Urban Development Processes: Integrating the Economic and the Social in Property Research. *Urban Studies*, Vol. 37, No. 13, pp. 2399-2416.
- Jarvis, H. 2008. Doing Deals on the House in a 'Post-Welfare' Society: Evidence of Micro-Market Practices from Britain and the USA. *Housing Studies*, Vol. 23, No. 2, pp. 213-231.
- Kask, J. 2006. Household Loan Growth in European Countries: Comparing the Incomparable. *Kroon and Economy. Eesti Pank quarterly*, No. 2, pp. 14-21.
- Kauko, T. 2004a. Towards Infusing Institutions and Agency into House Price Analysis. *Urban Studies*, No. 41, Vol. 8, pp. 1507-1519.
- Kauko, T. 2004b. Sign Value, Topophilia, and the Locational Component in Property Prices. *Environment and Planning A*, Vol. 36, No. 5, pp. 859-878.
- Kemeny, J. 1995. *From Public Housing to the Social Market. Rental Policy Strategies in Comparative Perspective*. London: Routledge.
- Kemeny, J. 1991. *Housing and Social Theory*. New York: Routledge.
- Levy, D., Murphy, L. and Lee, C.K. 2008. Influences and Emotions: Exploring Family Decision-making Processes when Buying a House. *Housing Studies*, Vol. 23, No. 2, pp. 271-289.
- MacLennan, D. and Whitehead, C. 1996. Housing Economics – an Evolving Agenda. *Housing Studies*, Vol. 11, No. 3, pp. 341-344.
- Mooya, M.M. 2009. Market Value without a Market: Perspectives from Transaction Cost Theory. *Urban Studies*, Vol. 46, No. 3, pp. 687-701.
- Munro, M. and Smith, S.J. 2008. Calculated Affection? Charting the Complex Economy of Home Purchase. *Housing Studies*, Vol. 23, No. 2, pp. 349-367.
- Ojamäe, L. 2007. Appraising and Brokering in Estonian Housing Market: Different Forms and Norms of Professionalisation. *Working Papers in Economics (TUTWPE)*, Vol. 22, pp. 39-57.



- Ojamäe, L. 2008. The Development of Estonian Housing Market: Discursive Practices in Real Estate Columns. *Social Aspect of Housing Redevelopment. Housing in Ideologies/ Ideologies in Housing. Proceedings of CIB W069 21st and 22nd Housing Sociology Conference*, pp. 104-116. Rotterdam: International Council for Research and Innovation in Building and Construction.
- Paadam, K. 2003. *Constructing Residence as Home: Homeowners and Their Housing Histories*. TPU Press: Tallinn.
- Paadam, K. and Ojamäe, L. 2008. Ideological Shifts and Shifting Relations of Actors in the Field of Housing. *Social Aspect of Housing Redevelopment. Housing in Ideologies/ Ideologies in Housing. Proceedings of CIB W069 21st and 22nd Housing Sociology Conference*, pp. 208-222. Rotterdam: International Council for Research and Innovation in Building and Construction.
- Perkins, H.C., Thorns, D.C. and Newton, B.M. 2008. Real Estate Advertising and Intraurban Place Meaning: Real Estate Sales Consultants at Work. *Environment and Planning A*, Vol. 40, No. 9, pp. 2061-2079.
- Ronald, R. 2008. Ideology of Home Ownership: Homeowner Societies and the Role of Housing. Basingstoke: Palgrave Macmillan.
- Ronald, R. 2007. Comparing Homeowner Societies: Can We Construct an East-West Model? *Housing Studies*, Vol. 22, No. 4, pp. 473-493.
- Schütz, A. 1966/1975/. *Collected Papers III. Studies in Phenomenological Philosophy*. The Hague: Martinus Nijhoff.
- Smith, S.J. and Munro, M. 2008. The Microstructures of Housing Markets. *Housing Studies*, Vol. 23, No. 2, pp. 159-162.
- Smith, S.J., Munro, M. and Christie, H. 2006. Performing (Housing) Markets. *Urban Studies*, Vol. 43, No. 1, pp. 81-98.
- Social Trends 4. 2007. Tallinn: Statistics Estonia.
- Statistics Estonia. *Statistical Database*. [www.stat.ee](http://www.stat.ee), accessed May 25, 2008.
- Stephens, M. 2003. Globalisation and Housing Finance Systems in Advanced and Transition Economies. *Urban Studies*, Vol. 40, No. 5-6, pp. 1011-1026.
- Tamm, M. 2007. Housing Finance in Estonia: a Short Note on Recent Developments. *Kroon and Economy*. Eesti Pank quarterly, No. 2, pp. 18-27.
- Tammaru, T., Leetmaa, K., Silm, S. and Ahas, R. 2009. Temporal and Spatial Dynamics of the New Residential Areas around Tallinn. *European Planning Studies*, Vol. 17, No. 3, pp. 423-439.
- Wallace, A. 2008. Knowing the Market? Understanding and Performing York's Housing Market. *Housing Studies*, Vol. 23, No. 2, pp. 253-270.
- Watkins, C. 2008. Microeconomic Perspectives on the Structure and Operation of Local Housing Markets. *Housing Studies*, Vol. 23, No. 2, pp. 163-177.
- Zafirovski, M.Z. 2000. An Alternative Sociological Perspective on Economic Value: Price Formation as a Social Process. *International Journal of Politics, Culture and Society*, Vol. 14, No. 2, pp. 265-295.

Appendix. Description of the Interviewees

	Professional market actors	Approx. market experience, years	Sex
1.	Appraiser, large company	4	F
2.	Senior appraiser, large company	10	M
3.	Appraiser, manager, large company	6	M
4.	Real estate consultant	10	F
5.	Broker, large company	4	F
6.	Broker, large company	4	F
7.	Broker, large company	1	M
8.	Broker, manager, large company	4	M
9.	Self-employed broker	6	F
10.	Self-employed broker	5	F
11.	Manager, real estate development	15	M
12.	Manager of a professional organisation	4	F
13.	Manager of a professional organisation	10	F
14.	Specialist, financial institution	5	M
15.	Specialist, public sector	3	F
16.	Manager, financial institution	15	F

	Residential case study, residents:	Age, y
1.	F, semi-detached house	35-40
2.	a couple, semi-detached house	30-35
3.	M, detached house	35-40
4.	M, semi-detached house	35-40
5.	F, semi-detached house	30-35
6.	F, detached house	60-65
7.	a couple, detached house	35-40
8.	a couple, semi-detached house	30-35
9.	M, semi-detached house	30-35
10.	M, semi-detached house	25-30
11.	a couple, semi-detached house	45-50
12.	a couple, semi-detached house	30-35
	Other actors:	
13.	M, representative of town government	55-60
14.	M, broker, representing a developer company	35-40