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THE ROLE OF INFORMATION ECONOMICS AND COMMUNICATION CHANNELS IN THE REAL ESTATE MARKET

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Abstract

In this study, the role of information asymmetry and communication channels in the real estate market was examined. The findings revealed that incomplete or misleading information during valuation processes fostered price fluctuations and speculative activities. Both traditional intermediaries and digital platforms significantly influenced investor confidence, increasing the risk of market instability. A literature review approach highlighted the potential of open data policies, blockchain technology, and AI-powered valuation systems to reduce information asymmetry. The conclusions emphasized the necessity of digitizing land registers, promoting independent appraisals and enhancing financial literacy to strengthen market transparency.

Keywords: Real estate market, Information asymmetry, Communication channels

JEL Classification: D31, D47, D49.

Highlights

- The role of information asymmetry and communication channels in the real estate market was examined by literature review.
- Incomplete or misleading information during valuation processes fostered price fluctuations and speculative activities.
- It emphasized the necessity of digitizing land registers, promoting independent appraisals and enhancing financial literacy to strengthen market transparency.

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EMLAK PİYASASINDA ENFORMASYON EKONOMİSİ VE İLETİŞİM KANALLARININ ROLÜ

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Öz

Bu çalışmada gayrimenkul piyasasında bilgi asimetrisi ve iletişim kanallarının rolü incelenmiştir. Değerleme süreçlerinde eksik veya yanıltıcı bilgilendirmenin fiyat dalgalanmalarını ve spekülatif hareketleri tetiklediği görülmüştür. Hem geleneksel aracılar hem de dijital platformlar üzerinden aktarılan bilgilerin kalitesi, yatırımcı güvenini etkilemiş ve piyasada istikrar riskini artırmıştır. Çalışmada literatür incelemesi yöntemi kullanılarak açık veri politikaları, blok zincir teknolojisi ve yapay zekâ destekli değerleme sistemleri gibi yenilikçi çözümlerin bilgi asimetrisini azaltma potansiyeli tartışılmıştır. Elde edilen bulgular, tapu kayıtlarının dijitalleşmesi, bağımsız değerlemenin yaygınlaştırılması ve finansal okuryazarlığın artırılması gibi politika önerilerinin önemini vurgulamıştır. Sonuç olarak, düzenleyici çerçevelerin güçlendirilmesi ve teknolojik yeniliklerin denetlenerek uygulanması, gayrimenkul piyasasında şeffaflığı ve istikrarı artıracak etkili stratejiler olarak değerlendirilmiştir.

Anahtar Kelimeler: Gayrimenkul piyasası, Bilgi asimetrisi, İletişim kanalları

JEL Sınıflandırması: D31, D47, D49.

Öne Çıkanlar

- Gayrimenkul piyasasında bilgi asimetrisi ve iletişim kanallarının rolü literatür çalışması ile incelenmiştir.
- Değerleme süreçleri sırasında eksik veya yanıltıcı bilgiler fiyat dalgalanmalarını ve spekülatif faaliyetleri teşvik etmektedir.
- Piyasa şeffaflığının güçlendirilmesi için tapu kayıtlarının dijitalleştirilmesi, bağımsız değerlemelerin teşvik edilmesi ve finansal okuryazarlığın artırılmasının gerekliliği vurgulanmıştır.

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INTRODUCTION

The real estate market is characterized by a structure that requires high capital investment, involves long-term decision-making, and is directly influenced by macroeconomic fluctuations. This market structure makes the efficiency of information flow between parties a critical factor. Information asymmetries between buyers and sellers can hinder the smooth functioning of market mechanisms and create conditions for speculative price movements. From the perspective of information economics, information flow in the real estate market is regarded as one of the fundamental components of the price formation mechanism.

In this context, the relationship between information asymmetry and market failures has long been a subject of discussion in economic literature. George Akerlof's (1970) seminal work, The Market for Lemons, is recognized as one of the most significant theoretical frameworks demonstrating the adverse effects of information asymmetry on markets. According to Akerlof's model, when information asymmetry exists between buyers and sellers, low-quality assets tend to dominate the market, leading to the withdrawal of high-quality assets. In the real estate sector, this phenomenon manifests itself in various ways: sellers often possess more information about properties than buyers, pricing mechanisms can be driven by speculative movements, and buyers may struggle to make optimal decisions due to a lack of trust.

The effects of information asymmetry are not limited to individual transactions but also have direct implications for macroeconomic stability in the real estate market. Speculative housing price bubbles and excessive market valuations, as witnessed during the 2008 Global Financial Crisis, can become primary causes of large-scale economic crises (Shiller, 2008). The root of such crises often lies in deficiencies in market information flow and transparency issues within the financial system. Misinformation or lack of information in the real estate market complicates rational decision-making for both individual investors and institutional actors, potentially leading to long-term economic instability.

Traditionally, information flow in the real estate market has been primarily facilitated by intermediaries (real estate agents, consultants), government institutions, banks, and land registry systems. However, with the accelerating pace of digitalization, a new generation of technologies—collectively referred to as PropTech (Property Technology)—has fundamentally transformed the nature of information exchange. Big data analytics, AI-powered real estate valuation systems, and online listing platforms have accelerated market information flow, making data previously accessible only to professionals available to individual investors as well. However, while this digital transformation has enhanced access to information, it has also introduced new risks, such as data manipulation, misinformation, and information pollution.

This study examines the fundamental components of information economics in the real estate market and evaluates the economic impact of information flow among market participants. First, the role of information asymmetry in market failures will be analyzed within a theoretical framework. Then, the effects of both traditional and digital communication channels on market transparency will be discussed. Finally, the potential of open data policies to improve information flow in the real estate sector will be explored, along with recommendations for achieving a more efficient market structure.

2. THEORETICAL FRAMEWORK

The economic effects of information flow in the real estate market play a critical role not only in ensuring the efficient functioning of the market but also in fostering investor confidence, price stability, and market liquidity. The unequal access to information in this market leads to information asymmetry between parties, thereby hindering the optimal functioning of market mechanisms. The

theory of information economics posits that in cases where access to information is unequal, price mechanisms fail to operate efficiently, which may result in market failures (Stiglitz, 2000; Akerlof, 1970; Spence, 1973).

The effects of information asymmetry in the real estate market are more pronounced compared to other asset markets due to the inherent characteristics of real estate transactions. Key factors contributing to this issue include the high value of immovable assets, the complexity of pricing processes, and the varying levels of market transparency. The fact that sellers possess more information about a property than buyers exacerbates issues such as adverse selection and moral hazard, ultimately weakening market efficiency. These information imbalances negatively impact investor decisions, leading to price fluctuations and liquidity risks.

In this context, within the framework of information economics theory, this study examines the implications of information asymmetry in the real estate market, focusing on market failures, transparency, and the impact of digitalization on information flow.

2.1. INFORMATION ECONOMICS AND INFORMATION ASYMMETRY

Information economics is a field of study that investigates how the unequal distribution of information in markets shapes economic outcomes. Information asymmetry is particularly critical in markets where high-value assets are traded (Stiglitz, 1989). The real estate market stands out as one of the sectors where asymmetric information is most evident, directly influencing market efficiency due to information disparities between buyers and sellers.

In real estate transactions, sellers typically have greater access to crucial information regarding the physical condition of a property, its market value, and future price expectations. In contrast, buyers often have limited access to such information, which disrupts the healthy functioning of the market. Issues such as adverse selection and moral hazard—both common forms of market failures—are frequently observed in the real estate sector (Akerlof, 1970; Stiglitz & Weiss, 1981). Adverse selection occurs when the lack of adequate information leads to a predominance of low-quality properties in the market, while high-quality properties are withdrawn from circulation (Akerlof, 1970). Additionally, moral hazard arises when sellers conceal negative aspects of a property or provide misleading information to buyers (Holmström, 1979).

Such information imbalances contribute to loss of trust in the real estate market and lead to price instability, ultimately weakening market efficiency. For instance, a study by Garmaise and Moskowitz (2004) on the U.S. housing market found that information asymmetry increases price volatility and results in significant errors in property valuations. Similarly, Gatzlaff and Haurin (1997) emphasize that deficiencies in information flow negatively affect market transparency, causing buyers to make suboptimal decisions.

Addressing the market failures resulting from information asymmetry is crucial for establishing sound pricing mechanisms in the real estate market. In this regard, strengthening transparency policies, enhancing information flow through digitalization, and developing independent valuation mechanisms are among the key strategies that can contribute to a healthier market operation (OECD, 2015; World Bank, 2020).

2.2. THE IMPACT OF INFORMATION ASYMMETRY ON MARKET FAILURES

Information asymmetry is a significant factor that disrupts efficient price formation and creates conditions for market failures. In the real estate market, information imbalances between buyers and sellers hinder the proper functioning of pricing mechanisms and contribute to market instability. This leads to increased instances of price bubbles, speculative movements, and high transaction costs, which are common characteristics of market failures (Shiller, 2008; Leung, Chow & Han, 2008).

The issue of information asymmetry, frequently encountered in financial markets, allows speculative investors to manipulate real estate prices and create artificial price increases. Shiller (2008) identified speculative price inflation caused by information deficiencies as a key driver of the 2008 Global Financial Crisis. Misleading property valuations, misinformation, and a lack of market transparency distort price signals, detaching prices from their fundamental economic value and undermining investor confidence (Case & Shiller, 2003). Consequently, limited information flow in markets negatively affects rational decision-making processes and leads to long-term market imbalances.

Beyond price instability, information asymmetry also influences transaction processes. A study by Gatzlaff and Haurin (1997) found that information asymmetry increases transaction costs, slows down buying and selling processes, and reduces market liquidity. This presents risks for both individual investors and institutional actors, further weakening market efficiency. Rising transaction costs place disadvantaged parties—those with limited access to information—at a further disadvantage, making decision-making processes more costly and complex.

The economic consequences of information asymmetry extend beyond market mechanisms to broader economic welfare. An empirical study on the Hong Kong housing market revealed that deficiencies in information access led to suboptimal buyer decisions, resulting in long-term economic imbalances (Leung, Chow & Han, 2008). Similarly, an OECD (2015) report highlighted that a lack of transparency in real estate markets reduces investor confidence and negatively impacts economic growth.

To minimize the adverse effects of information asymmetry in the real estate market, establishing more transparent data-sharing mechanisms, expanding digital information access, and strengthening independent audit processes are essential. Encouraging open data policies and developing regulatory mechanisms that govern information flow in real estate markets are crucial steps toward preventing market failures (World Bank, 2020).

2.3. TRANSPARENCY, OPEN DATA POLICIES, AND INFORMATION FLOW

Ensuring effective information flow in markets directly influences economic decision-making. In the real estate market, increasing transparency and implementing open data policies are seen as key tools for reducing market failures caused by information asymmetry (OECD, 2015). Transparent data-sharing mechanisms enable market participants to make informed decisions while simultaneously fostering price stability (World Bank, 2020). Strengthening information access mechanisms is necessary to establish trust in the market and support rational decision-making among investors.

Enhancing transparency in the real estate market allows market participants to manage risks more effectively, improves investor confidence, and reduces valuation errors. Hess and Ong (2001) found that data transparency has a direct positive impact on investor confidence. Similarly, Geltner and Fisher (2007) demonstrated that open data policies in the U.S. commercial real estate market improved the accuracy of property valuations and reduced speculative price fluctuations. These findings underscore the critical role of reliable and accessible data sources in ensuring market stability.

Government-provided land registry data, housing price indices, and investor reports are essential data sources for addressing information imbalances in the real estate sector (World Bank, 2020). Publicly available data facilitates more rational investment decisions, enhancing market predictability. For instance, the UK Land Registry's digital property records have simplified access to market information, reducing speculative transactions (UK Land Registry, 2018). However, open data policies do not always yield the expected results. Henderson and Ioannides (1983) argued that excessive information flow can lead to

misinterpretation and encourage speculative behavior. This suggests that open data initiatives should not only focus on providing access but also on supporting data analysis mechanisms.

2.4. DIGITALIZATION, BIG DATA, AND AI-DRIVEN INFORMATION FLOW

Beyond traditional information flow mechanisms, digitalization, big data analytics, and AI-driven systems have become essential tools for accelerating information access and enhancing transparency in the real estate market. PropTech (Property Technology), online listing platforms, and automated valuation models (AVMs) have the potential to reduce information asymmetries. However, these technologies also introduce new risks, such as data manipulation and biased decision-making (Baum, 2017).

Big data technologies enable more accurate and predictive real estate pricing based on historical sales data, credit risk analysis, and market trends (McAfee & Brynjolfsson, 2012). However, biased or erroneous data analytics can mislead investment decisions (Bu & Hu, 2020). Blockchain technology also enhances data security in real estate transactions by minimizing information asymmetry (Davidson, De Filippi & Potts, 2018).

While digitalization and big data analytics have the potential to improve real estate market efficiency, risks related to data reliability, algorithmic biases, and manipulative pricing strategies highlight the need for independent audits and regulatory oversight. Integrating robust data verification mechanisms, promoting blockchain-based land registries, and enhancing algorithmic transparency can mitigate the risks of information asymmetry and foster greater market stability (World Bank, 2020).

3. INFORMATION FLOW AND COMMUNICATION CHANNELS IN THE REAL ESTATE MARKET

The flow of information in the real estate market is of critical importance in reducing information asymmetry among market actors and ensuring the efficient functioning of the market. Effective information transmission contributes to the healthy operation of the market mechanism by facilitating accurate price formation and enabling investors to make rational decisions. However, due to the inherent nature of the real estate market—characterized by high transaction costs, long-term investment structures, and limited access to information—the flow of information among market participants is significantly affected (Garmaise & Moskowitz, 2004; Geltner & Fisher, 2007).

The information flow in the real estate market can be categorized into two main types: traditional and modern mechanisms. While traditional information flow mechanisms have long dominated the market, technological advancements and digitalization have led to the emergence of new-generation information transmission technologies, significantly influencing market dynamics.

Accordingly, information flow in the real estate market will be examined under the following two main headings:

1. Traditional information flow mechanisms (real estate agents, government institutions, land registry records, etc.)

2. Digitalization and new-generation information flow mechanisms (PropTech, AI-supported systems, blockchain technology, etc.).

This section will provide a detailed analysis of these information flow mechanisms and evaluate their impact on market dynamics.

3.1. TRADITIONAL INFORMATION FLOW MECHANISMS AND THEIR IMPACT ON THE REAL ESTATE MARKET

The effectiveness of information flow in the real estate market plays a crucial role in enabling market actors to make informed decisions and ensuring the healthy functioning of the market mechanism. Traditional information flow mechanisms have long served to mitigate information asymmetries in the market; however, they also present certain limitations and risks. In this regard, real estate agents and consultants, government institutions and land registry systems,

and financial institutions emerge as the primary actors shaping the flow of information in the market.

Real estate agents and consultants play a critical intermediary role in real estate transactions. These actors facilitate price determination, property promotion, and negotiations between buyers and sellers, thereby enhancing market participants' access to information. Levitt and Syverson (2008) highlight the significant role of real estate consultants in reducing information asymmetry, though they also note that consultants may be inclined to withhold information to serve their own interests. A study by Yavas and Colwell (1999) suggests that transactions conducted through real estate agents can, in some cases, be more costly than direct sales, negatively affecting market efficiency. Conversely, Kadiyali, Prince, and Simon (2014) emphasize that market intelligence provided by intermediaries enables buyers to make more informed decisions and enhances long-term investment confidence. Thus, while real estate agents and consultants play a pivotal role in accelerating information flow and increasing market transparency, they also introduce ethical and cost-related risks.

Government institutions and land registry systems constitute one of the most fundamental pillars in ensuring reliable information flow in the real estate market. Land registry records, zoning plans, and housing policies enhance information transparency in the market, assisting investors in making well-informed decisions. According to the World Bank (2020), the digitalization of land registry systems in developed countries has contributed to reducing information asymmetry and limiting speculative activities. For example, the UK Land Registry (2018) reports that the digitalization of land records in the UK has enabled investors to access more reliable data and reduced market manipulations. However, in developing countries, the lack of comprehensive land registry records or the incomplete digitalization process deepens information asymmetry and adversely affects investors' long-term decision-making (Bertaud, 2018). The failure to update land records or the presence of incomplete information can lead to significant issues, particularly in terms of market manipulations and legal disputes. Therefore, strengthening government policies aimed at increasing transparency in the real estate market, improving the reliability of land records, and making such information publicly accessible is of great importance for market participants.

Financial institutions, particularly banks and insurance companies, are considered crucial sources of information flow in the real estate market. Financial instruments such as mortgage interest rates, risk assessments, and insurance premiums play a decisive role in real estate investments (Hendershott, Hendershott & Shilling, 2000). Credit reports, market analyses, and financial evaluations provided by banks contribute to investors' informed decision-making processes while also helping to maintain market stability. However, Allen and Gale (2000) argue that deficiencies in information flow within financial institutions can lead to speculative bubbles and credit market crises. The 2008 Global Financial Crisis, in particular, demonstrated how incomplete or misleading information dissemination by financial institutions could trigger widespread economic turmoil (Shiller, 2008). Therefore, the accuracy and transparency of market information provided by banks and insurance companies are essential for the sustainability of the real estate market. Regulatory bodies should implement policies to monitor and audit the information supplied by financial institutions, thereby fostering a more stable and reliable market environment.

In conclusion, traditional information flow mechanisms have played a crucial role in mitigating information asymmetry and facilitating informed decision-making among market actors in the real estate sector. While real estate agents and consultants enhance access to market information, they may also introduce risks associated with information manipulation for personal gain. Government institutions and land registry records are vital for ensuring reliable information flow, yet

shortcomings in digitalization processes can exacerbate information asymmetry. Financial institutions contribute to market transparency through credit and mortgage data, but the dissemination of incomplete or misleading information poses the risk of financial crises. In this context, enhancing the efficiency of traditional information flow mechanisms requires strengthening transparency policies, accelerating digitalization efforts, and tightening financial regulations. By ensuring a healthy flow of information in the real estate market, investor confidence can be strengthened, and market stability can be preserved.

3.2. DIGITALIZATION AND NEXT-GENERATION INFORMATION FLOW MECHANISMS

The flow of information in the real estate market has undergone a fundamental transformation with digitalization. Traditional information flow mechanisms have been largely replaced by digital platforms, big data analytics, AI-supported valuation systems, and blockchain technologies. These next-generation technologies aim to accelerate market participants' access to information, enabling more informed investment decisions. However, alongside the opportunities brought by digitalization, new risks such as data manipulation, misinformation, and algorithmic errors have also emerged.

In recent years, technological solutions known as Property Technology (PropTech) have contributed to improving the efficiency of information flow in the real estate sector (Baum, 2017). PropTech applications play a significant role in real estate valuation, market analysis, and the development of investment strategies (Baum & Dearsley, 2019). Notably, online listing platforms such as Zillow, Redfin, and Realtor.com provide extensive datasets on the market, supporting investors in their decision-making processes. However, concerns exist regarding the transparency and accuracy of the algorithms used on these platforms. Rosen (2018) suggests that the algorithms of these platforms may be susceptible to manipulation, potentially undermining market transparency. Misleading price predictions and speculative movements can destabilize the market due to misinformation spread through digital platforms.

Big data and AI-supported valuation systems enhance the accuracy and predictability of information flow in the real estate market (McAfee & Brynjolfsson, 2012). AI-driven models analyze vast datasets to forecast future housing price trends, offering guidance to investors (Geltner, 2018). However, the accuracy and reliability of big data analyses are directly dependent on the quality of the datasets used. Bu & Hu (2020) warn that big data analyses can generate erroneous predictions, potentially misleading investors. A concrete example of this risk occurred in 2021 when Zillow's algorithmic valuation model produced inaccurate predictions, leading to substantial financial losses (Bloomberg, 2021). Therefore, AI-supported systems must be reinforced with independent audit mechanisms to mitigate potential misguidance.

Blockchain technology aims to enhance information security in the real estate market by ensuring transparency in land registry transactions (Davidson, De Filippi & Potts, 2018). As a decentralized database, blockchain systems prevent the alteration and manipulation of land registry records, thereby increasing market reliability. The Turkish General Directorate of Land Registry and Cadastre's initiatives to develop blockchain-based projects represent a significant step toward improving transparency in Turkey's real estate market (TKGM, 2022). However, the applicability of blockchain technology entails various challenges, including infrastructure costs and regulatory constraints (OECD, 2020). Nevertheless, in the long term, the widespread adoption of blockchain-based land registry systems could enhance market transparency and reduce risks associated with information asymmetry.

In conclusion, digitalization and next-generation information flow mechanisms have the potential to accelerate access to information in the real estate market, thereby increasing investor confidence. PropTech applications, big data

analytics, AI-supported systems, and blockchain technologies stand out as critical tools for improving information transparency. However, concerns regarding the reliability, auditability, and accuracy of these systems must be addressed. To ensure the effective and trustworthy use of digital technologies, independent audits should be conducted on big data analyses, blockchain-based land registry systems should be further developed, algorithm-based valuation models should undergo rigorous accuracy testing, and regulatory measures should be implemented to prevent information manipulation on digital platforms. Addressing these factors collectively will help mitigate risks associated with information asymmetry in the real estate market, strengthening investor confidence and market stability (World Bank, 2020).

4. MARKET FAILURES AND TRANSPARENCY ISSUES

The real estate market can lead to various market failures when information flow is insufficient. This section examines the impact of price bubbles, speculative movements, and manipulative information flows caused by information asymmetry. Additionally, ethical issues, the risks associated with incomplete or misleading information, and factors that disrupt market stability in the real estate sector will be analyzed.

4.1. MARKET FAILURES CAUSED BY INFORMATION ASYMMETRY IN THE REAL ESTATE MARKET

Information asymmetry in the real estate market is a fundamental problem that hinders the optimal functioning of the market and leads to market failures due to the imbalance of information between buyers and sellers. The information disparity among market actors disrupts the proper functioning of the price mechanism and results in misinformed investment decisions (Akerlof, 1970; Stiglitz & Weiss, 1981). One of the most significant consequences of information asymmetry is the formation of price bubbles and the rise of speculative movements in the housing market. Excessive increases in housing prices often result from poor investment decisions driven by a lack of information (Shiller, 2008).

Price bubbles occur when market participants deviate from rational expectations and engage in transactions at excessively inflated prices (Kindleberger, 1978; Shiller, 2005). The formation of such bubbles is largely influenced by investors acting on incomplete or misleading information and the spread of manipulative news in the market (Glaeser, Gyourko & Saiz, 2008). Speculative investors, in particular, exploit the lack of information to create misleading price signals, detaching real estate valuations from fundamental economic realities (Case & Shiller, 2003). This phenomenon threatens market stability and sets the stage for economic crises. Himmelberg, Mayer & Sinai (2005) demonstrated that the excessive price increases observed in the U.S. housing market during the 2000s were inflated due to misinformation and speculative actions, emphasizing that this process was one of the primary causes of the 2008 Global Financial Crisis.

Another critical consequence of information asymmetry is the prevalence of deceptive information dissemination in the real estate market, leading to ethical concerns. The superior knowledge that sellers possess about properties makes it difficult for buyers to make informed decisions, ultimately undermining market credibility (Yavas, 1994). Misleading information deliberately disseminated by sellers or real estate agents can cause buyers to form incorrect perceptions of a property's actual value (Levitt & Syverson, 2008). Research by Piskorski, Seru & Witkin (2021) reveals that one of the key factors contributing to the mortgage crisis in the U.S. was the dissemination of incomplete or misleading information during the loan approval processes. Misrepresentation and misinformation, particularly in financial products, hinder accurate risk assessments, adversely affecting both individual investors and macroeconomic stability.

Information manipulation in the real estate sector extends beyond pricing processes and

directly influences consumer perception. A study by Seiler, Seiler & Lane (2012) indicates that even the language used in real estate listings can manipulate consumers, with certain marketing strategies artificially inflating a property's perceived value. Media and digital platforms play a crucial role in this process. False or misleading information disseminated via digital listing platforms, automated valuation systems, and media outlets can distort market dynamics and prevent investors from making rational decisions (Rosen, 2018). Huang & Qian (2021) examined the impact of media on real estate prices, finding that in some countries, media-driven narratives significantly shape investor perceptions and fuel speculative investments.

To minimize market failures caused by information asymmetry, transparency-enhancing policies must be implemented, and open data-sharing mechanisms should be strengthened. According to reports by the World Bank (2020) and OECD (2015), regularly updating and making land registry records and housing price indices publicly accessible are critical steps in reducing information inequality in the market. However, ineffective implementation of open data policies can exacerbate market uncertainty, complicating long-term investment decision-making (Bertaud, 2018). Non-transparent market structures contribute to price volatility and speculative movements, negatively affecting overall market stability.

In conclusion, the effects of information asymmetry in the real estate market span a broad spectrum, from the formation of price bubbles to the proliferation of manipulative information, leading to significant market failures. Implementing regulatory policies that enhance information flow transparency is crucial to increasing investor confidence and ensuring market stability. The adoption of open data policies, ensuring transparency in real estate listings, and strengthening independent auditing mechanisms are essential measures for reducing information inequality and preventing market failures in the real estate sector.

4.2. THE IMPACT OF LACK OF TRANSPARENCY ON MARKET STABILITY

Transparency in markets is a critical factor for healthy price formation and maintaining investor confidence. A lack of transparency prevents market participants from accessing accurate and complete information, negatively affecting decision-making processes and leading to long-term market instability (Hess & Ong, 2001). In the real estate market, restricted access to information and insufficient market data transparency increase price volatility and encourage speculative movements (Gatzlaff & Haurin, 1997). In a non-transparent market, investors are more likely to be misled, contributing to systemic risks that threaten the sustainability of the market.

One of the primary sources of transparency deficiencies in the real estate market is the inadequacy of open data policies. According to reports by the OECD (2015) and the World Bank (2020), making land registry records, housing price indices, and market analyses publicly available can mitigate the negative effects of information asymmetry by enabling market participants to make informed investment decisions. However, in many countries, such data is either incomplete or restricted to specific institutions and investors, perpetuating market information inequalities (Bertaud, 2018). The Transparency International (2019) report highlights that in some countries, the lack of public access to land registry records and the insufficient detailing of market data make it difficult for investors to make informed decisions, thereby increasing market uncertainty.

Another major source of transparency deficiencies in the real estate market is the dissemination of misleading or incomplete information through media and digital platforms. While media plays a crucial role in shaping investor perceptions, it can sometimes trigger speculative movements through intentional or incomplete information sharing (Rosen, 2018). A study by Huang & Qian (2021) examines the impact of media on real estate prices and finds that in some countries, media-driven narratives directly influence

investor perceptions, increasing speculative investments. Misinformation in the media can lead investors to misinterpret market conditions, causing housing prices to diverge from fundamental economic realities.

Similarly, digital platforms and online listing sites, despite their potential to enhance information access in the real estate market, can also contribute to market instability through inaccurate pricing and manipulative data presentation (Davidoff, Gerardi & Shapiro, 2017). In particular, the lack of transparency in automated valuation algorithms used by online listing platforms and their susceptibility to manipulation disrupts market price movements, making it more difficult for investors to make rational decisions. McAfee & Brynjolfsson (2012) emphasize that low levels of transparency in data sharing on digital platforms can lead investors to act on misleading information, exacerbating market volatility.

To address these transparency-related issues, market regulators, media organizations, and digital platforms should be encouraged to share data more transparently and reliably. Strengthening open data policies, making market data publicly accessible, and subjecting media organizations to stricter regulations against misleading news publication are key strategies for enhancing market transparency. Additionally, supporting automated valuation systems on digital platforms with independent audit mechanisms and promoting investor education programs can contribute to reducing information asymmetry in the market.

In conclusion, a lack of transparency deepens information asymmetry in the real estate market and increases market instability. The inadequacy of open data policies, the dissemination of incomplete or manipulative information through media and digital platforms, and investor misinformation contribute to speculative movements and erode confidence in the market. Therefore, improving information flow transparency, strengthening regulatory frameworks, and encouraging responsible information sharing by media and digital platforms are essential steps for ensuring a more stable and reliable real estate market.

4.3. POLICIES TO REDUCE MARKET FAILURES

To minimize market failures caused by information asymmetry and enhance investor confidence in the real estate sector, several strategies are proposed, including strengthening regulatory frameworks, implementing open data policies, developing independent valuation mechanisms, and increasing financial literacy. These policies can reduce information inequality among market participants, ensure more efficient price formation, and prevent speculative movements (World Bank, 2020).

One of the most critical steps in preventing market failures is strengthening regulatory frameworks. Regulations developed by governments and international organizations to enhance transparency in the real estate market can help reduce information inequalities and enable investors to make more rational decisions (World Bank, 2020). Specifically, digitizing land registry records, centralizing property ownership data, and making market information more accessible are effective policies for reducing information asymmetry (OECD, 2015). Additionally, ensuring that public institutions regularly publish market data and provide investors with easy access to this information is another key factor in improving market transparency.

The implementation of open data policies can help market participants make informed decisions, reducing price fluctuations and speculative movements. Studies by the OECD (2015) indicate that the digitalization of land registry records and the public disclosure of housing price indices positively impact market stability. Open data policies not only reduce information inequalities among market actors but also help prevent deceptive pricing strategies and manipulative information dissemination. However, for open data initiatives to be effective, data must be accurate, up-to-date, and easily accessible. In this regard, governments and independent regulatory bodies

should develop more comprehensive oversight mechanisms to ensure the reliability of market data.

Strengthening independent real estate valuation standards is another critical policy recommendation to prevent market failures. Ensuring transparency in property valuation processes can prevent investors from making poor decisions based on misleading information. Research by Seiler, Seiler & Lane (2012) suggests that even the language used in real estate listings can influence investor decisions and, in some cases, lead to an overestimation of property values. Therefore, enforcing stricter oversight of real estate advertisements, eliminating misleading statements, and standardizing reports issued by independent valuation organizations will contribute to a more transparent market. Furthermore, reinforcing independent valuation processes can help investors make more informed decisions and reduce market manipulation.

Increasing financial literacy is considered one of the most fundamental strategies for preventing market failures. Research by Hendershott & Shilling (2000) demonstrates that investors' financial literacy levels directly impact their ability to make informed investment decisions and are a crucial factor in maintaining market stability. To mitigate the negative effects of information asymmetry, efforts should be made to enhance financial literacy among individual investors. Awareness programs conducted by government institutions, universities, and financial organizations can help investors become more resilient against speculative movements and manipulative information.

In conclusion, reducing market failures caused by information asymmetry in the real estate market requires stronger regulatory frameworks, the implementation of open data policies, the reinforcement of independent real estate valuation standards, and improvements in financial literacy. When implemented collectively, these policies will enable investors to make more informed decisions, strengthen market stability, and support long-term economic sustainability.

5.CONCLUSION AND POLICY RECOMMENDATIONS

This study has comprehensively examined the fundamental components of information economics in the real estate market, analyzing the effects of information asymmetry on market failures, the role of traditional and digital information flow mechanisms, and the economic risks posed by a lack of transparency. Given that the real estate sector requires significant capital and involves long-term investments, it emerges as a critical domain in terms of information flow efficiency and transparency. In this context, market information inequality complicates investors' rational decision-making processes, leading to price fluctuations, speculative movements, and market instability (Stiglitz, 2000; Glaeser & Gyourko, 2018).

The key findings of this study indicate that the most significant consequences of information asymmetry in the real estate market include price bubbles, market manipulations, an increase in speculative investments, and a decline in investor confidence (Akerlof, 1970; Shiller, 2008). Notably, incomplete or misleading information has been shown to drive irrational price movements in the market, contributing to economic instability. These findings are in line with the results of Geltner and Fisher (2007), who emphasized that a lack of reliable valuation mechanisms can amplify speculative movements, and support the arguments of Garmaise and Moskowitz (2004), who found that information asymmetry increases market volatility. The lack of transparency and inadequacy of open data policies complicate investors' decision-making processes, increasing market uncertainties and making long-term investments riskier (World Bank, 2020).

Compared with prior studies in the literature, this study complements the findings of Leung, Chow, and Han (2008), who highlighted the adverse effects of limited information access in the Hong Kong housing market. However, this study differs from their empirical approach by focusing on a theoretical and policy-oriented analysis and offering a comparative evaluation of both traditional and

digital communication channels. Moreover, while earlier research such as that of Rosen (2018) has highlighted manipulation risks in digital valuation algorithms, this study expands the discussion by including blockchain technology as a potential solution, thus contributing a broader and more integrated policy perspective to the literature.

Therefore, several policy recommendations have been developed to prevent market failures and improve information flow. The proposed policies focus on reducing information asymmetry, implementing open data policies to enhance transparency, establishing independent valuation mechanisms, and promoting investor awareness. First, real estate valuation and pricing processes must be made independent and transparent. Conducting valuation processes in accordance with international standards is considered a critical requirement for building trust in the market (Geltner & Fisher, 2007). In developing countries such as Turkey, expanding independent valuation institutions can help curb speculative price movements and reduce market manipulations (Bertaud, 2018).

Additionally, making land registry records, housing price indices, and zoning plans publicly available and regularly updated would be a significant step toward mitigating information asymmetry in the market (World Bank, 2020). Implementing open data policies recommended by the OECD and the World Bank can improve access to real estate market information, ensuring a healthier price formation mechanism (OECD, 2015). Moreover, stronger legal regulations are needed to counter information manipulation in the real estate.

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