The impact of fake news on the real estate market

Cristian Bogdan ONETE

*The Department of Business, Consumer Sciences and Quality Management, Faculty of Business and Tourism, Bucharest University of Economic Studies, Bucharest, Romania
cristian.onete@com.ase.ro*

Sandra Diana CHITA

*Bucharest University of Economic Studies, Bucharest, Romania
chitasandra14@stud.ase.ro*

Vanesa Madalina VARGAS

*Bucharest University of Economic Studies, Bucharest, Romania
vanesa.vargas@fabiz.ase.ro*

Abstract. *We are living in an extremely globalized and digitalized world where social media represent the core of our existence whether for personal or professional reasons. Social media impact on business in general caught the attention of researchers (Grizane & Jurgelane, 2017) during the last years, especially to measure the impact of their use in business growth, increasing sales and/or customer loyalty. There are more and more studies that focus on the harmful effect of fake news on specific markets, news that may appear easily and are difficult to control. Fake news can affect both the customers and/ or the business depending on the context. The purpose of this study is to identify how are the fake news appearing in a world where access to information is so simple and everybody can check the truthfulness of information and what kind of barriers are used to protect the business from being affected and the customers from being misinformed. Data for this paper are gathered using in-depth interviews with entrepreneurs from real estate businesses. The results show that the level of increasing fake news is affecting the trust building process. Recommendations are put forward for organizations to analyze more user behavior and use it for the decision-making process in order to limit the negative effects of fake news. Also, customers need to learn to identify quality brand communication, pay attention to details and be very precautions while taking decisions based on news that may be fake.*

Keywords: fake news, social media, trustworthiness, source credibility, brand trust, real estate.

Introduction

Nowadays the means of information are more and more accessible as well as diversified. At the same time the amount of information is increasing, and it is difficult to manage the differentiation between what is real and what is only rumor.

UNESCO is mentioning three types of existing phenomena which are raising question marks about the journalists' job: "disinformation, mal-information and misinformation - that are often unwittingly shared on social media" (UNESCO). The first one is means to create content which is not real with the desire of having a negative impact on the population. The second category is the same type of content but without having a bad intention of hurting someone. The third type of information is one of the most dangerous since it is unreal but based on a true situation having as a purpose to cause harm on the people.

The existence of these three categories is making the identification of fake news hard for people. In order to qualify an information as being real or not there is a lot of work behind. In order to identify the veracity of the information we are consulting on the Internet several questions must be raised. We need to check if our source is reliable, if the publication which is sharing it has a specific interest on doing it (propagation of a certain type of information in order to manipulate people for its own benefit). It should be mentioned that social media as

well as websites facilitated access to information as well to the development of social relationships between people and the growth of businesses and institutions or people celebrity but in the same time it is the perfect environment for the multiplication of fake news. It has become a global concern and giants like Twitter and Facebook are trying to establish strategies to dismiss the existence of the fake news. Wikipedia founder Jimmy Wales launched in 2017 a new initiative having the purpose to eliminate untruthful news that appear on the Internet. His idea of the “Wikitribune” consists on creating a team formed by professionals from the journalism field and Internet users in order to reestablish the truth of the news (FUTURA TECH, 2017).

Even if there are many initiatives in order to combat or at least reduce the phenomenon of fake news, there is a long way until we can tell a certain strategy is successful. Meanwhile, this situation is having consequences on different levels for the population. In this research we are going to study what are the most recurrent fake news on the social media having an impact on the real estate market and what the effects are on the customers’ purchasing habits.

Literature review

Fake news are created in order to confuse the population and modify the public opinion or to benefit to their producer in terms on advertisements. The massive growth of fake news spreading in an easy way thanks to the Internet sent a warning signal in the social media affecting all areas that were supposed to improve life such as online shopping or communication. (Zhang & Ghorbani, 2020).

The spread of fake news has been associated with the extension of infections since both of them need connection at a social level (Kucharski, 2016).

Nowadays we are witnessing the emergence of a generation of consumers strongly influenced by social media. This new society emphasizes the consumer who is at the center of the business. Since the consumers’ behavior is easily influenced as well as changeable, it is more difficult to offer them the products or services they need in order to meet their expectations (Onete et al., 2010).

Social media is a place where one might assume that different opinions of people can be freely expressed, but reality questions policies regarding free expression of people when it endangers the integrity of other humans, their values, their culture and other personality traits. Fangen and Holter (Fangen & Holter Riborg, 2019) have interviewed 15 people about it to see what's behind their comments filled of hatred. These people were considering themselves as being really informed and having the duty to fight for the truth to combat the fake news about politics considering that this field should be directly conducted by the people themselves.

Fake news is way faster than real information and reaches a wider audience. While true information is rarely disseminated to more than 1,000 people some fake news reach up to 100,000 users and it is more often distributed. This applies even more when it comes to politics, lies about terrorism or natural disasters (Les Echos, 2018). Therefore, systems are developed to combat them (Figure 1).

Figure 1. Strategic system established by different countries against fake news

Source: elaborated by the authors based on the information provided by (Kano, 2018)

There are many controversies regarding the reasons behind people's motivations to trust the information that appears in the social media every day and their readiness to act to combat it. A research shows that people usually face fake news while they are in a less strict mode and not in "critical-thinking mode for work or for study. We believe that users are eating for drinking something in the former mode" (Kano, 2018) and this impacts on the way they react to the news.

An idea to combat fake news could be the creation of a tool linked to the application providing news to the Internet users. This tool would filter the news using different methods "including those related to the syntactic features of a link to determine whether the same should be included as part of the search results" (Aldwairi & Alwahedi, 2018).

Fake news represents a big problem for Europe, therefore the European Commission is trying to put in practice a plan (Figure 2) in order to stop the extension of misleading information in order to protect the citizens and provide safety for the continuity of democracy. Disinformation in fact means information which is not at all true or partially false with the aim of being ambiguous or confusing. The purpose of this approach is to disappoint the public or to derive financial benefit from it. The danger is real and it's present concerning many areas as politics, the population's health or security. Disinformation can lead to many debates, it can induce conflict between people, it challenges the freedom of opinion and expression and people are not allowed to take informed decisions (European Commission, 2019).

Figure 2: Actors that need to be involved in order to combat fake news

Source: Elaborated by the authors based on the information provided by The European Commission, (2019)

Only 26% of the Eu citizens consider that they can trust the information they receive on social media while 85% are considering fake news as a major challenge for their country and a real danger for the democracy system, according to Eurobarometer data (European Parliament, 2020). According to a study about the users' trust in social media there are three aspects that impact it and explain 48% of its variations: privacy related problems, the risks that are perceived as well as the risks (Cătoi et al., 2014). Actually, people got to a stage where our reputation on social media depends on the number of followers, likes, comments or views (Baccarella et al., 2018). The reputation of a business on social media is very sensitive as well (Syed, 2019) and since every business has to aim to grow its competitiveness as being a must for the good development of its management (Popescu et al., 2015) fake news are coming as a new challenge and unexpected problems may appear from something that is not even true like a fake review that cannot be deleted. What is transmitted by a customer in social media about a product is very important especially when it comes to decisions (Xiao et al., 2018).

Fake news has known a massive increase and there are two key words that can describe this type of misleading information: volume, variety and velocity (Zhang & Ghorbani, 2020). According to Colliander, once some individuals have done negative comments criticizing a fake news, the attitude of other users was way less oriented towards positive comments or shares of the post (Colliander, 2019).

Methodology

This article is analyzing the impact of fake news for the real estate market. The purpose of this research is to verify what type of news are affecting this market and whether we can identify interdependencies between the purchasing behavior of the customers and a specific news that are spread. This paper answers the question if there are visible negative or positive impacts in the dynamic of the real estate market after the launch of online information about specific phenomena. This research uses a qualitative method and summarizes findings from one-to-one interviews with 5 entrepreneurs and freelancers activating in the real estate area in Bucharest, Romania, 4 men and one woman. All of them have an approximative experience of 20 years in the field collaborating simultaneously with owners and people who are looking to rent or buy a property on personal or professional purposes.

The in-depth interviews have been conducted in December 2019 face to face. We used a structured interview in order to find out how the interviewees perceive the impact of fake news. Even if we used an interview guide at some point the professionals were given the space to come with other examples and the conversations went in a natural way. The interviewees appreciated the opportunity to express their point of view from the side of the business they are working on since they are not often given the chance to. The approach of this research is based on the benefits as well as the challenges of working with customers that are daily exposed to fake news aiming to influence the purchasing behavior of the population as well as the risks of being associated with professionals that spread fake news for their personal interest (Onete et al., 2020). We should mention that this research method presents some limitations because it analyzes the experiences of a restrained number of professionals as well as their beliefs. The objectives of this research are to see if the entrepreneurs and freelancers who work in the real estate field are aware of the impact that fake news has on their activities. Thereafter we want to see to what extent they are affected by this kind of information and what measures they could take to combat this phenomenon.

Results and discussions

Defining the fake news and identifying the target

Based on our one-to-one interviews, the real estate market is facing different challenges because of presence of fake news on the social media relating on economic crisis, changes in the banking system, a possible earthquake, working force, modifications of the law concerning the constructions.

We are hearing more and more often that a global recession is coming based on different events happening around the world. The professionals we interviewed agreed that there is a visible demotivation of the customers based on this kind of news. Usually they wait for some concrete signs in order to modify their desire of buying or selling a property (for example the modifications of the prices on the market). The customers who possess savings and would normally be able to proceed to a transaction using “cash” (term used by the professionals in order to define a transaction which is possible without needing any type of loan) are starting to delay their purchases in order to have time to analyze the market. Also, the banks become more attentive and receptive to the possible influences of an imminent crises and most of the time they are reducing financing or simply making it more difficult to access it. There is one specific category of people who is more affected and not so inclined to risk. We are talking here about the population aged between 18 and 34 years old. They are going to postpone the purchase of a property until the fake news will pass and will be forgotten.

In the case of fake news concerning earthquake usually the effects are seen on the population for a period which may last between 3 to 6 months. In case a minor earthquake takes place during this period things get even more complicated and the market of old buildings risks to be affected for another 6 months at least. Again, the biggest impact of such news is seen on the young generation (18-34 years old) who is mainly looking for new buildings. The old buildings are still sold, even the ones having a seismic risk but it takes more time for a decision to be taken as well as more discussions and also the main target for those sales are people over 45-50 years old.

Expansion of misinformation on the real estate market

Not only that real estate platforms in Romania are linked to the social media in different ways (for example for www.imobiliare.net we can directly connect through Facebook in order to save time we'd spend creating an account, the method giving them access to some of our personal information and also ads people post on these platforms can directly be shared on social media) but just as in politics, social networks can influence positively or negatively the real estate market. The influence is direct having a quick reaction time response of the market. And since people are making social media a big part of their daily like it has become a start point for real estate transactions as well, some categories of people finding it more easily to search or promote a property in this way, especially for foreigners coming to live to Bucharest. Social media is the place where people go to find information on a lot of the things they may need (Ozbay & Alatas, 2020). They feel more comfortable this way, asking information on a group with a lot of members because if they are offered something that exceeds its value, they believe people will let them know and they avoid being negatively influenced and hidden the true value of things on the Romanian market. But another risk appears here: fake customers. They can be identified by professionals. These fake customers are actually owners or agents who mediate the transactions.

Fake news is also spread by real estate agents who do not have a vast culture neither a professional qualification in this field. Actually, fake news represents a risk for service providers who are posting important information because the credibility is affected (Munzel, 2016). The job of the real estate agent is not regulated in Romania as it is in other countries.

The solution would be a better regulation of the profession as well as agents with good ethics acting like professionals. There is also a need of inspection bodies, professional courses, clearer and more drastic regulation, including the mention of sanctions corresponding to the facts committed. A community construction around a brand on social media has also very positive effects (Laroche et al., 2013). There is a need of collaboration between the education institutions and the professionals since keeping a strong relationship between “students” and the business environment facilitate the entrance of the first ones on the market and also provides a good opportunity for partnerships. In this case the use of social media can have a beneficial impact since they can be used to facilitate the communication between the two parties and also avoid any type of confusing information or complicated procedures (Dima et al., 2019).

Pressure creation for the population

According to our interviews a fake news having a big impact on the real estate market was the one concerning the closure of the “First House” program in Romania (program organized to help families buy their first house) starting with 2020. One of the interviewees affirmed that it had a big impact on the people because 60% of the loans granted for the acquisition of houses are coming from this program and a small percentage of them through mortgages loans. People prefer the “First house” program because the deposit for it is 5% of the total amount while for the other case it is 15-20%. A lot of the buyers do not afford more than 5% since Romanian people do not have a developed culture for saving money.

The market reacted immediately, the number of buyers reduced considerably, since most people were relying on this program. There is an increased period of exposure of real estate offers on the market, which proves that the respective offer isn’t traded. Real estate meetings happen but are not finalized with a transaction as it should happen, buyers postpone having a home until the program is unlocked. This situation is present on the whole market, also, sellers care do not sell their properties, buyers do not allow to buy houses using cash, real estate agents do not get any income in order to provide resources for the continuity of their business, as well as the banks that do not provide financing with a very small deposit, because they do not want to directly assume a risk linked to the insolvencies of the debtors.

There is another type of fake news identified by the interviewees which has an impact on the consumer behavior. We are talking about information concerning certain moves that are being done by companies such as changing the location of their headquarter. In this case, the area is becoming way less popular. This opinion relates with the research of Wingyan Chung about articles that appear about “financial performance, market shares, products and services, technological changes, legal issues, and competition. The information in these articles influences market reactions before financial statements are published (Chung, 2014).

Conclusion

Nowadays words as “fake news” or “post-truth” are common in our vocabulary and present in our daily lives. Also, there is a big difference between a fact and its interpretation and objective presentations of the facts has become difficult to distinct from the opinion of the person reporting them.

The biggest problem is that fake news is affecting all fields of our life putting in danger our safety, our health, our values, our freedom, the democracy and peace between humans. We this research we have studied a specific field, the real estate business in order to see if the professionals are aware data fake news is affecting their work, on what level, what type of fake news are the most dangerous and what could be the solutions.

In conclusion all the people we interviewed have agreed that fake news presents a danger for their activity. People react to information they find on social media about

earthquakes, economic crisis or changes in the banking system as well as misleading information about changes in the management of some big businesses. For all the scenarios the sales are decreasing, there is a difficult situation for the real estate agents and for the owners of the properties. Fake news appears also because of poor ethics of some professionals and lack of regulations in the field. Better professional preparation as well as clear delimited regulations on the market would be useful.

However, this research has some limits. First, given that the number of people interviewed is quite small, it is difficult to conclude that the opinions of our interviewees would apply to all people working in the field. Also, the proportion of men compared to women in our study is not necessarily representative for the real estate business.

We will complete this article in a next research which will aim to compare the interviews made in this one with the opinion of consumers (sellers and buyers) thanks to a complex questionnaire which will be distributed to them.

References

- Aldwairi, M., & Alwahedi, A. (2018). Detecting Fake News in Social Media Networks. *Procedia Computer Science*, 141, 215-222.
- Baccarella, C.V., Wagner, T.F., Kietzmann, J., McCarthy, I.P. (2018). Social media? It's serious! Understanding the dark side of social media. *European Management Journal* 36, 431-438.
- Cătoi, I., Orzan, M., Macovei, O.I., Iconaru, C., (2014). Modelling users' trust in online social networks. *Amfiteatru Economic Vol XVI*, No. 35, 289-302.
- Chung, W. (2014). BizPro: Extracting and categorizing business intelligence factors from textual news articles. *International Journal of Information Management*, 34, 272-284.
- Colliander, J. (2019). "This is fake news" : Investigating the role of conformity to other users'views when commenting on and spreading disinformation in social media. *Computers in Human Behavior*, 97, 202-215.
- Dima, A.M., Clodnitchi, R., Istudor, L., Luchian, I., (2019). Business excellence models in higher education – innovative solutions for management performance. *Proceedings of the International Conference on Business Excellence*, V13, II.
- European Commission. (2019). Tackling online disinformation. Retrieved 01 31, 2020, from <https://ec.europa.eu/digital-single-market/en/tackling-online-disinformation>
- European Parliament. (2020). Trust Label: Combating Fake News in the digital era. Retrieved 01 30, 2020, from <https://www.internetforum.eu/events/dec-pub/940-trust-label-combating-fake-news-in-the-digital-era.html>
- Fangen, K., & Holter Riborg, C., (2019). The battle for truth: How online newspaper commenters defend their censored expressions. *Poetics*, 80, 101423.
- FUTURA TECH. (2017, 05 01). Fake news : le fondateur de Wikipédia veut les combattre avec Wikitribune. Retrieved 12 28, 2019, from <https://www.futura-sciences.com/tech/actualites/internet-fake-news-fondateur-wikipedia-veut-combattre-wikitribune-67126/>
- Grizane, T., & Jurgelane, I. (2017). Social Media Impact on Business Evaluation. *Procedia Computer Science*, 104, 190 – 196.
- Kanoh, H. (2018). Why do people believe in fake news over the Internet? An understanding from the perspective of existence of the habit of eating and drinking. *Procedia Computer Science*, 126 (2018), 1704–1709.
- Kucharski, A. (2016). Post-Truth: Study epidemiology of fake news. *Nature*, 163, 51-59.
- Laroche, M., Habibi, M.R., Richard, M.-O. (2013). To be or not to be in social media: How brand loyalty is affected by social media? *International Journal of Information Management*, 33(1), 76-82.

- Les Echos. (2018). Pourquoi les fake news se propagent bien plus vite. Retrieved 01 20, 2020, from <https://www.lesechos.fr/2018/03/pourquoi-les-fake-news-se-propagent-bien-plus-vite-986267>
- Munzel, A. (2016). Assisting consumers in detecting fake reviews: The role of identity information disclosure and consensus. *Journal of Retailing and Consumer Services*, 32, 96-108.
- Onete, B.C., Vargas M.V., Chita, S.D., (2020). Study on the Implications of Personal Data Exposure on the Social Media Platforms. *Transformations in Business & Economics*, Vol. 19, 2 (50), 243-258.
- Onete, B., Voinea, L., Dina, R., (2010). Dimensions and evolutions of the new consumer concept in Romania. *Current Issues of Business and Law*, 5(2).
- Ozbay, F., & Alatas, B. (2020). Fake news detection within online social media using. *Physica A*, 540.
- Popescu et al. (2015). Organization's age and Organizational Citizenship Behavior (OCB), performance criteria at SMEs level. Case study - Bucharest – Ilfov development region. *Procedia Economics and Finance*, 22, 645-654.
- Syed, R. (2019). Enterprisereputation threatson social media: A case of data breach framing. *Journal of Strategic Information Systems*, 28.
- UNESCO. (n.d.). Journalism, 'Fake News' and Disinformation: A Handbook for Journalism Education and Training. Retrieved 01 30, 2020, from <https://en.unesco.org/fightfakenews>
- Zhang, X., & Ghorbani, A. (2020). An overview of online fake news: Characterization, detection, and discussion. *Information Processing & Management*, 57(2), March 2020, 102025.
- Xiao, S., Chen, Z., Guoqiang, L., Daniel, S., Fuji, R., Albert, Z., & Rajiv, R. (2018). Detecting users' anomalous emotion using social media for business intelligence. *Journal of Computational Science*, 25, 193-200.