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Ethics in real estate: agency practices in Istanbul

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Abstract

Purpose – This paper aims to discuss unethical behaviors that small real estate agencies encounter in real estate brokerage practices, the factors that give rise to a trust issue and the potential of legal arrangements for offering a solution. Small real estate agencies, almost the only actor in the real estate brokerage industry until the late twentieth century, still strive to survive despite the globalized market, large corporations increasingly dominating the market, the increasing informality and the real estate portals offering certain brokerage services online. While all these developments put pressure on small real estate agencies, the industry's unethical behaviors diminish their reliability. Despite the efforts to overcome this issue through legal arrangements, the extent to which these regulations will be successful is still a matter of intense debate.

Design/methodology/approach – In total, 85 small real estate agencies operating in Istanbul, Turkey, were posed semi-structured open-ended questions and asked to provide an opinion about the unethical behaviors they face and the potential of a legal arrangement to solve those problems. In the second stage, three focus group interviews were held with representatives from large real estate brokerage companies to make a comparison and they were also posed similar questions. The answers were evaluated using content analysis.

Findings – It was found that the unethical behaviors in the real estate industry could mainly be evaluated in two categories, i.e. those stemming from structural problems of the industry and those stemming from problems related to service delivery and that a legal arrangement could only solve the first category.

Research limitations/implications – The research is limited to small real estate agencies that operate in Istanbul, the heart of the Turkish economy and the biggest city of the country where intensive efforts are spent to integrate into the global order.

Originality/value – It is considered that categorization of the causes of problems encountered by the numerous small real estate agencies that struggle to survive in the market and an analysis of the root causes of unethical behaviors in the industry and a discussion on potential solutions that may be brought bylaws will contribute to the literature.

Keywords Informality, Istanbul, Ethics, Property marketing, Real estate practices, Real estate agent

Paper type Case study

1. Introduction

The fact that housing is no longer a product that meets the accommodation requirement and is now a valuable investment instrument in the global economic order calls for cooperation between different housing market actors.

In the global housing market, where actors with different specialties work in conjunction, the production and consumption processes are concurrently designed and even sales/marketing strategies are developed before planning the production process. Market research is conducted from the moment an investment decision is made, the potential target audience is determined and the marketing agencies decide how to manipulate the target audience. In other words, a marketing plan that suits the target audience is designed before the production process begins (Çizmeci and Ercan, 2011). Nevertheless, consumption services (marketing, brokerage, mediation, etc.) had become widespread when real estate (RE)

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became a sellable meta that is not traded only in the geography where it was produced and in an international market. In such a market environment, the key actors of the process are the RE agencies that pledge themselves to bring together buyers and sellers from different parts of the world (Hin Li and Wang, 2006). RE brokerage is an old profession; however, it was never a subject of housing research studies until the 1970s when Risa Palm identified the need to examine everyday practices in housing transactions to understand housing market processes and outcomes, not the housing statistics (Palm, 1976a, 1976b).

The brokerage service was carried out by small RE agencies that generally operated in limited geography until the eighties. Some of the RE agencies that started to operate on broader geography owing to the capabilities offered by communication technologies in the globalizing economic order (Dunning *et al.*, 2019) became corporate companies over time, created their brands and turned into large companies with offices all around the world.

In Turkey, RE business is regarded among the public somewhat ironically as a service consisting of "a desk and chair" and is conducted by small companies operating in a limited area - the borders of a neighborhood.

The main reason for looking down on the RE brokerage profession is that it can be conducted by anybody willing to do it. This is because laws do not define the qualifications and professional competencies that RE agencies should have. Until the eighties, the industry was mainly dominated by small RE agencies. However, starting from the mid-eighties, many larger RE companies acting on a local scale were established and these companies took the first steps toward the institutionalization of the brokerage service through branches they set up in different parts of the country.

Starting from the early 21st century, RE investments gained impetus, also driven by globalization. In parallel, the central government in Turkey embraced a construction-oriented growth strategy and promoted construction activities, as a result of which Istanbul, in particular, turned into a construction site where numerous large-scale projects (airports, urban transformation projects, mixed-use complexes, housing projects, etc.) were built. The vitality of the construction industry unleashed an interest in the Turkish RE market from international RE brokers such as Remax, Coldwell Banker, Keller Williams starting from the 2000s and these companies spread to various regions of the country over time (Tosun, 2016; www.curioushistory.com). On the other hand, the revival of the sector caused an increase in the number of real estate agents operating informally. So much so that the Turkish Chamber of Realtors has stated that there is an average of 100k real estate agents in Istanbul, only 10k of them are registered.

Today, several national and international chains are present in the Turkish market; however, small RE agencies still enjoy a higher weight in the industry (Deloitte, 2019). Although these companies that are regarded as a "desk and a chair" started to adapt to technological innovations and to carry out part of their brokerage activities over the internet, the RE industry today is facing several challenges.

One of the fundamental problems of the RE industry in Turkey is the ethical behaviors that are frequently encountered in the sector. This problem mainly arises from the insufficiency of legal arrangements concerning the RE industry and the uncertainty of basic standards relating to the industry and its members. However, the lack of clarification over measures to be taken against the problems leads to questioning the RE brokerage service's nature. On the other hand, ethical problems become more complicated in the face of the high rate of unrecorded employment in the RE industry, further diminishing the reliability of RE agencies.

The fact that the vast majority of those engaged in the real estate business has not received vocational training is an essential factor in delivering a professional service and

experiencing unethical problems. Many studies in the current literature examine the role of demographic characteristics of real estate agents such as age, gender, academic competence in the emergence of unethical behavior (Lee, 1981; Mehta and Kau, 1984; Vitell and Festervand, 1987; Becker and Fritzsche, 1987; Izraeli, 1988; Forte, 2008).

In the current literature, the role of informality in the emergence of unethical behavior has not been addressed. In this article, the high number of unregistered employees in the real estate service is defined as an essential factor that causes the ethical problems encountered in the sector to increase and the real estate agents to lose their credibility. Also, it is one of the main topics that the article aims to be investigated. Sajor (2005), Stark (1989), Hamilton (1998) stated that capitalist development can stimulate the informal sector rather than eliminate it. As stated above, as the central government has adopted the construction-led growth strategy in Turkey, it has led to the revival of the real estate sector and increased construction activity in the past 20 years. This has increased the number of nationally and internationally licensed real estate agents in the sector; in addition to this, it has increased the number of unregistered real estate agents.

In this context, it can be argued that unprofessional and low-quality services are rendered from time to time, and ethical problems are experienced in the RE industry.

"The regulation on the trading of immovable property" was issued on June 5, 2018, to solve the ethical problems encountered in RE practices in Turkey. Though it has some deficiencies, the regulation is essential in being the first legal arrangement that defines professional competencies. The regulation also provides guidance on how the profession will be executed and a framework on the types of sanctions to be used against ethical issues. In this context, this regulation has brought ethical issues and the reliability problem encountered in RE practices to the agenda once again. However, the starting point of this study was the lack of a comprehensive scientific study on the subject. In the study, factors that lead to ethical issues and a reliability issue in RE practices, the role of the excess number of unregistered employees in the emergence of unethical behaviors were addressed and the impact of the new regulation on the solution of these problems discussed.

Within this scope, field research was designed. At the first stage of the research, face-to-face interviews were held with 85 small RE agencies that operate in Istanbul, the heart of the Turkish economy, at the same time, the biggest city of the country where intensive efforts are spent to integrate into the global order and consequently intensive construction activities take place. In-depth interviews comprising semi-structured questions were held with small RE agencies. During the interviews, the aim was to identify the factors that give rise to unethical behaviors and reliability issues in RE brokerage practices and the root of these problems. In addition, the role of unregistered employees in increasing unethical behavior in the RE sector and the potential of the new regulation to generate solutions to unethical behaviors were questioned. In the second stage, three focus group interviews were held with representatives from large RE brokerage companies to make a comparison. This part of the study presents a description and cross-comparison of the factors that give rise to unethical behaviors and reliability issues encountered during brokerage activities of large RE brokerage companies.

The first part of the article is the introduction section. In the second part, first, a theoretical framework is drawn depicting the concepts of ethics and trust and the correlation of these concepts and then-current literature on RE business is evaluated in terms of these concepts. Afterward, the new legal arrangement enacted to prevent unethical practices and behaviors in Turkey is addressed. In the third part of the article, the research method and the design of the field research are described and the findings achieved at the end of the

research are presented in categories. In the fourth part of the study, the data obtained from the field are discussed in the light of the literature.

In conclusion, it is demonstrated that too many unethical situations are experienced in the RE practice as ethical values are left to the discretion of individuals due to the cultural, economic, political and social circumstances prevailing in Turkey. As a result of the study, unethical behaviors that give rise to a reliability issue in RE practices are classified into two categories: those arising from the industry's structural problems and those arising from brokerage service delivery and are shown along with their causes.

Finally, the new law's potential to bring a solution to the problem that gives rise to unethical behavior is discussed.

2. Literature REVIEW

2.1 Ethics

Ethics is a primary area of philosophy that studies human behavior in terms of values such as good, bad, right, wrong, conscience, virtue and justice. Ethics, on the one hand, questions human relationships in the society from a critical viewpoint, it aims, on the other hand, to ensure continuity of social relationships and to shape human behaviors in the context of specific rules and values (Velasquez *et al.*, 1996).

When evaluating human behaviors, ethics questions the wrongness and rightness of an act considering the conditions under which the action takes place, the purpose and consequences of the act (Velasquez *et al.*, 1996).

"Trust" is one of the most important factors taken into consideration when evaluating whether human behavior is ethical or not. Trust can be defined as having no doubt about an individual or institution (Gilson, 2003), and being sure that an individual or institution will exhibit positive behavior (Mollering, 2001). Trust is the belief that the person or institution that is trusted will act fairly, honestly and justly and, therefore, exhibit ethical behavior (Parsons, 2004).

In this context, it can be argued that trust, which is an essential component of ethics, emerges as a consequence of mutual relations. According to Baier (1996), ethics and trust are two concepts that function together. Particularly in interpersonal relations, ethics is closely related to the concept of trust (Niker and Specker Sullivan, 2018).

Although trust is addressed differently by various disciplines, there is no consensus in the literature on the definition of trust (Baier, 1986; Brownlie and Howson, 2005; Crease, 2004; Gilson, 2003; Hall *et al.*, 2001; Mollering, 2001; Schoorman *et al.*, 2007).

Fukuyama and Simmel tried to define the concept of trust from a moral perspective. According to Fukuyama (2005), trust is built on the common norms and values of a society.

Moral norms of society are the primary determinants of an environment of trust. This is because the moral norms that a society possesses are disposed to create trust on a more comprehensive and broader base through honesty, integrity, charity and philanthropy compared to other social codes (Can, 2019).

Unlike Fukuyama, Simmel rejects that trust is produced by moral norms and states that moral norms are produced in the framework of trust relationships in society. According to Simmel, trust is one of the most critical strengths produced by society (Mollering, 2001). Fukuyama (2005) links the creation of economic welfare predominantly to social capital and the prevalence of trust among society members.

According to Luhmann (1988), trust is an instrument to reduce complexity in society. While trust helps us make decisions related to the future based on experience, it uses the outputs of past experiences to minimize the risk by reducing the number of potential acts (Luhmann, 1979).

In summary, trust is not an abstract sociological concept, but a phenomenon that people encounter in daily life and the business world every day (Arrow, 1985; Putnam, 2000). Social order can only be achieved by developing trust-based relationships in society; conflict is possible without trust (Luhmann, 1988).

As is the case in several social life areas, trust is also necessary for business life to establish an effective business organization (Brenkert, 1998). *Business ethics is* a concept developed in this sense, examining ethical problems (Warren, 2011). Business ethics determines the norms that help evaluate the practices and the behaviors of the actors in business life. All actors belonging to a specific profession can develop a relationship of trust in the market and on the target audience only by adhering to the profession's ethical norms. The RE profession is an area of activity where human relations are inherently quite important. Yet, a real estate agent (REA) assumes the role to bring buyers and sellers together and help them establish a relationship.

2.2 Ethics in the real estate sector

The literature includes several studies that examine the ethical problems in RE practices from different aspects (Agboola *et al.*, 2010; Pheng and Tan, 1995; Chun-Chang, 2007; Larsen *et al.*, 2007; Brinkmann, 2009). Some of these studies contribute to professional ethics development and some discuss the sufficiency and appropriateness of existing standards, whereas others analyze the factors by which unethical behaviors differentiate in RE practice.

The trust issue arising from unethical behaviors in the relationship of the REAs among themselves and the relationship of the society with REAs is a phenomenon encountered worldwide.

According to Braswell and Poe (1992), unethical behaviors in RE practices occur because:

- REAs make money only when sales take place not per case or for consultancy;
- both buyer's and seller's agents are often paid a percentage of the house price and there is less incentive for the buyer's agent in negotiating to lower prices for the buyer; and
- the seller usually lacks sales experience and professional knowledge.

Some companies in the RE sector organize various training courses to prevent unethical behaviors encountered in RE practice and ensure that brokerage activities are carried out ethically. Although some researchers argue that these courses do not contribute to reducing ethical conflicts and to the ethical development of REAs (Waples *et al.*, 2009; Thorne LeClair and Ferrell, 2000; Brumback, 1991), the results of some studies demonstrate that these pieces of training contribute to the ethical development of REAs (Treviño and Brown, 2004; Treviño and Nelson, 2007; Valentine and Fleischman, 2004; Sims and Brinkman, 2003).

National Association of Realtors (NAR) carries out efforts to contribute to REAs' ethical development. "NAR's code of ethics," *prepared* by NAR, provides a framework for REAs to follow while conducting brokerage activities (nar.realtor.com).

Conway and Houlihan (1992) examined NAR's Code of Ethics regarding consistency, openness, comprehensibility and applicability. The research results show that NAR's Code of Ethics offers ethical standards to REAs to arrange their daily acts (Larsen *et al.*, 2007).

In research conducted in California and Florida with 272 REAs, Izzo (2000a) showed that the compulsory ethics training offered to REAs should be questioned and improved.

Miller (1999), Okoruwa and Thompson (1999) and Boyle (2000) studied the ethics issue in the RE profession. In a study conducted in Ohio (1987–1996), Miller (1999) reported that

ethical behavior is beyond the sector's laws and rules. Okoruwa and Thompson (1999), the ethics issue in RE practice may differ according to parameters such as gender, education and income status.

Gallup (2018) has been surveying professional groups' ethical values and reliability every year since 1976 and publishing a list in which professional groups are listed by reliability levels. REAs are always listed in the lower ranks of the list in terms of ethical values, and only 15% of the survey participants declare that REAs can be trusted.

It has always been debated as to which criteria are decisive in selecting REAs by clients in the RE sector where ethical values, notably, the issue of trust, are frequently brought to the agenda. The priorities of home buyers or sellers in selecting REAs are ranked as reliability and honesty, knowledge about the buying process, answerability, knowledge about the RE market, communication, negotiation and technology skills (NARs, 2018) 49% of home buyers or sellers, first of all, look for a reliable and honest REA. Next, clients have the following expectations from a REA; 15% expect to experience the RE market, 13.2% expect bargaining skills, 11.8% seek good references and 8.4% expect a quick response, 2.5% seek affiliation with a corporate brand. In total, 51% of home buyers or sellers find an REA through a friend, neighbor or relative (NAR, 2018).

These data show that trust-based experience is vital in the RE sector. However, in line with the development of information technologies, digitalization in the RE sector has carried the trust problem to a different dimension. This transformation's primary feature is that home searching activity, which was performed by visiting a specific area in the past, is now performed on online platforms. Online applications enable the client to walk both around and inside the house and make this experience as real as possible and allow them to filter and compare options.

Based on the result of a study they conducted, Ullah *et al.* (2018) state that REA selection was used to be made according to the recommendations of friends or neighbors before the online RE platforms, but now, people find a house on an online platform and work with the REA who lists that property.

The real estate agent (REA) who used to benefit from the physical environment and his or her social network while creating a portfolio can now engage in RE trading via the internet with people he or she is not acquainted with. This brings along some ethical problems such as fraud, misinformation, creating an ad with photographs of another house and aggravates the concerns over the reliability of REAs in the sector significantly compared to the past (Dumpe, 2015).

For Turkey, it can be said that ethical issues and loss of trust are quite prevalent in both face-to-face and online brokerage activities. A legal arrangement was introduced in 2018 to bring a solution to the problem and "the regulation on the trading of immovable properties" was published in the official gazette.

2.3 The relationship between the regulation on the trading of immovable properties and ethics

"The regulation on the trading of immovable properties" issued by the Ministry of Customs and Trade on June 5, 2018, defines immovable property trading as "brokerage for the purchase, sales, marketing of immovable properties, whether registered with the land registry or not and all consultancy and management activities relating to immovable properties."

The "regulation on the trading of immovable properties" imposes an obligation on the entities offering RE services and the employees of these entities to obtain a license, defines the requirements that individuals and entities offering this service have to satisfy and

describes sanctions such as penalties or closures for individuals and entities who fail to fulfill these duties and obligations (www.resmigazete.gov.tr).

The regulation is the first legal arrangement that clearly describes the qualifications that individuals and entities offering RE services should satisfy, the legal framework of RE brokerage business and the sanctions to be applied in case of failure to meet the requirements. The regulation brings additional obligations in respect of the following headings about which there is a discussion of whether they can be met by existing REAs or not.

2.3.1 Qualifications of people offering real estate services and the obligation to obtain a license. The regulation requires natural persons and legal entities to obtain a license from the Provincial Directorate of Trade to engage in trading immovable. It covers the principles and procedures governing a license's issue to these persons, renewal, suspension or cancellation of the license. The regulation provided that the license issued to engage in immovable property trading shall be valid for five years.

To obtain a license, it is necessary to satisfy requirements such as "being registered with the trade association and being a taxpayer, having turned the age of 18 and graduation from a high school as a minimum, not being prohibited from executing a trade or art by court order and possessing a professional competence certificate based on national competence for RE consultants."

2.3.2 Specifications for offices where real estate services are provided, location standards. The regulation cited above describes the obligations that the entities should meet as follows; "to have a net area of minimum 30 m2, to have an archive section, to have a comfortable area and technical equipment in such quantity and characteristics that will enable to provide a high-quality service." The regulation also sets out indoor equipment and technical hardware in such quantity and characteristics to ensure that RE service can be provided in a regular, systematic and quick fashion.

2.3.3 Characteristics of real estate brokerage service; ethics issue. The regulation on the trading of immovable properties also introduces various regulations on ethics. The regulation requires an REA, among other things, not be engaged in another business, to act in an ethical, fair, honest, scrupulous and reasonable way, to avoid unfair and unlawful attitudes and commercial practices, not to withhold any information which is likely to affect the purchase, sales and leasing preferences of the persons they serve, not to encourage them to resort to illegal and unethical practices, not to use a threatening and harassing attitude, to give people enough time to read any document before asking them to sign it and to present any offer and counter-offer to the people they serve fairly and objectively. If an entity violates these rules more than three times in a year, its license shall be canceled and that entity will not be issued a license for two years.

The regulation was issued in 2018; however, to allow time for RE brokerage companies to complete the necessary preparations, it was decided to put the regulation into effect on June 30, 2020, until when RE companies were required to obtain a license, meet the necessary space standards and supply the necessary office equipment, etc.

3. Research design

3.1 Method

"The regulation on the trading of immovable properties" prepared by the Ministry of Trade basically aims to regulate RE brokerage's functioning and improve its quality. However, an examination of the articles of this regulation reveals that the Ministry of Trade attaches specific importance to this service's performance in adherence to ethical values.

In the aftermath of the regulation's publication in October 2018, unethical behaviors in the RE industry and the means to prevent such behaviors gained currency and intensive debates were started on various media discussing whether the new regulation would be successful in that or not. However, none of these debates were covered in any scientific study.

In this context, this study aims to analyze unethical behaviors in RE practices in Turkey and the trust issue between the parties due to these kinds of behaviors, to uncover in detail the unethical behaviors that lead to the trust issue and to question whether the new regulation will be successful in resolving these problems or not.

Field research was designed in line with the aim of the article. The field research was limited to Istanbul, where intensive efforts are spent to integrate into the global order and consequently, intensive construction activities occur. In the first stage of the study, face-to-face interviews were held with 85 small RE agencies operating in different districts of Istanbul (the center and periphery). The sample was randomly selected with a balanced distribution in Istanbul. During these interviews, it was aimed to identify unethical behaviors encountered in RE practices and the factors that give rise to such behaviors through semi-structured open-ended questions. In the second stage of the study, focus group interviews were held with 10 REAs in three large RE brokerage companies to provide a comparison.

In that part of the study, it was aimed to examine whether large RE brokerage companies, too, encounter similar unethical behaviors or not, whether a corporate organization has many advantages in dealing with these problems or not. The data derived from the field research were evaluated using content analysis.

3.2 Profile of small real estate agencies that constitute the sample of the study

Profiles of small RE agencies that constitute the sample of the study are presented in Table 1. It is observed that the RE profession has a male-dominant structure, and contrary to the popular belief, a great majority of the agents in small RE brokerage companies are high-school or university graduates. In this connection, the finding that ethical problems in RE practices are not based on a lack of primary education and that the problem may be stemming from lack of professional formation was isolated.

Of the REAs who were interviewed (n = 85), 19 are active within the borders of the neighborhood where their companies are located, 47 are active within the borders of the district where their companies are located, 33 are active within the provincial borders of Istanbul, 8 are active Turkey-wide and one is active internationally and almost all of them are marketing houses.

It can be said that small RE brokerage companies are rendering services in a limited area in the immediate vicinity and their social circle.

The low barriers to entry into the sector and the fact that no certificate of competence is required from any person to engage in RE brokerage cause society to consider RE brokerage as a retirement activity.

The interviews' results appear to support this view, for a great majority of the interviewees were active in areas such as commerce, construction and the service industry.

3.3 Research findings

Upon evaluating the data derived from the field research using content analysis, the research findings were categorized under certain headings.

3.3.1 The most important factor in a client's choice of a real estate agent is "trust."

When REAs were asked about the most significant factors that influence a client's

Demography and profession of the agents	*n*	(%)
Gender		
Male	80	94
Female	5	6
Having another job		
No	66	78
Yes	19	22
Previous job		
I wasn't working	19	22
Commerce	38	45
Construction	7	8
Service industry	10	12
White-collar workers	6	7
Other	5	6
Your position in the office		
Owner	56	67
Worker	29	33
Education level		
Primary school	8	9
Mid-school	17	20
High-school	40	47
University	20	24

Table 1.
Agents' profile

choice of an REA (Figure 1), it is seen that trust is the most significant factor (n = 54). Other factors that effectively affect a client's choice of an REA were scored relatively low than trust.

REAs gave the following responses to this finding:

– It is important that an agent and the RE office give confidence.

– Trust. Showing sincerity to people is particularly important. Good communication is highly effective. Of course, you should be understanding and put yourself in the client's shoes.

RE brokerage is an area of activity where interpersonal relations matter most. Generally speaking, REAs initiate the relationship between buyers and sellers (or lessees and landlords), manage that relationship during purchase – sale – leasing activities and provide consulting services to buyers and sellers in the process. In this context, the research findings show that trust stands out as the most critical factor in the establishment of this relationship, in other words, the client's (buyer and/or seller) choice of an REA.

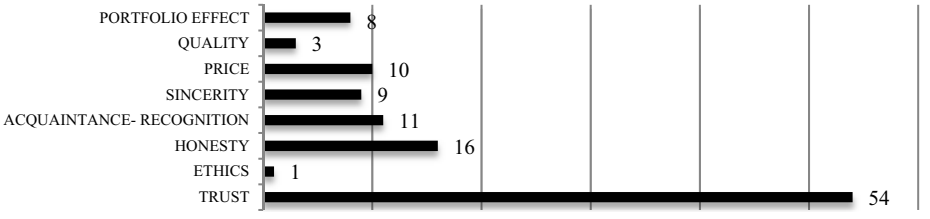


Figure 1.
Factors effective on a client's choice of an REA

When REAs were asked to state the most critical factors that have a role in the client's choice of an agent (Figure 2), the great majority of them ($n = 44$) said it was trust.

REAs comment on the reasons why clients choose them as follows:

– I am well-recognized by the people around me. I am preferred because we live in the same neighborhood.

– I think I have achieved customer satisfaction and gained trust to a certain extent as I have been here for a long time.

– Clients prefer me because they know me and I am a good REA.

3.3.2 The major problem in real estate practice is unethical behavior leading to lack of trust. Unethical behaviors that damage trust in RE practice was categorized according to the answers given to the questions by the agents interviewed. Basically, unethical behaviors that damage trust are split into two as "unethical behaviors encountered due to structural problems of the sector" and "unethical behaviors encountered in the delivery of real estate brokerage services." (Table 2).



Figure 2.
Effective factors most frequently expressed in the choice of agents by clients

Categories of unethical behaviors	Unethical behaviors that damage trust	
B.1. Unethical behaviors encountered due to structural problems of the sector	The lack of any mechanism that oversees the process in real estate practice	That a great majority of the real estate agents active in the sector are unrecorded
		Fictitious sales
	That the qualifications which real estate agents should possess to operate in the sector are not legally defined	That anybody can be a real estate agent
		That real estate agents have not acquired a professional competence document/certificate
B.2. Unethical behaviors encountered in the delivery of real estate brokerage service	Unethical behaviors encountered during the introduction process	That texts of the ads contain incorrect or misleading information
		Use of misleading visuals in ads
	Unethical behaviors encountered during the sales/leasing process	Unethical behaviors that lead to unfair competition
		Unethical behaviors that lead to undeserved gains
	Unethical behaviors encountered during the agent's mediation/facilitation of the communication between buyer and seller	Problems experienced between agents and property owners
		Problems experienced between agents and clients

Table 2.
Categories of unethical behaviors that damage trust in real estate practice

3.3.2.1 Unethical behaviors encountered due to structural problems of the sector Unethical behaviors in RE practice stemming from the structure of the sector can be classified under two main headings:

(1) The lack of any mechanism that oversees the process in real estate practice

It is stated that the number of REAs who work *unrecorded* and are not registered with the chamber of realtors and/or chamber of commerce is quite high:

> - Notably, many people are working informally in the sector, which we call, unregistered brokerage.

REAs state that these people are generally working without the burden of office and tax expenses, and charge exceptionally low brokerage fees.

During the interviews it was frequently argued that there was no mechanism overseeing unregistered agents and these people exhibit unethical behaviors and cause hardship to clients and abuse the society's trust in REAs:

> – There are REAs who are not registered with the chamber of realtors. They deceive people. In line with the high number of informal transactions, there are agents who make fictitious sales and take the deposit payment and disappear.

> – The number of unregistered REAs increased. There is no supervising authority. There is nobody overseeing fictitious sales.

The lack of a supervising mechanism and insufficiency of or failure to impose sanctions is one of the problems that REAs who do their job honestly most complain about. This not only harms them financially but also leads to the formation of prejudice against REAs in society.

(2) That the qualifications which real estate agents should possess to operate in the sector are not legally defined

The low barriers to entry to the sector and the lack of a definition of qualifications for REAs in the laws lead to the result that *anybody can do RE brokerage*. During the interviews, it was stated that this reduced the quality of RE brokerage services.

> – That anybody can do this business is a problem [. . .] Many incompetent REAs emerged. They dare to try anything to do business [. . .].

> – There are many uneducated, untrained, ignorant people in the sector. Virtually everybody is doing real estate brokerage [. . .].

> – The fact that everybody is interested in real estate brokerage diminishes trust in this profession [. . .].

*That REAs do not have professional competency document*s/*certificates* is seen as one of the issues that reduce the quality of RE brokerage service and damages trust.

> – Incompetent people, too, are trying to do this business. When there are many such people, trust becomes a problem [. . .].

> – There is no certificate, no school of this business [. . .].

> – Incompetent people give incomplete or false information [. . .].

3.3.2.2 Unethical behaviors encountered in the delivery of real estate brokerage service 3.3.2.2.1 Unethical behaviors encountered during the introduction process. The introduction of the products to clients is one of the primary stages of the brokerage service. For this purpose, REAs promote their products using various marketing communication tools. The REAs interviewed stated that it was a frequently encountered fact to see *ad texts containing incorrect or misleading information*. When clients see a product they think will meet their expectations relying on the information contained in introduction texts, they realize that the product has different characteristics than those described in the introduction text.

The agents interviewed stated that introduction texts generally contain false information about the size of the house and/or rooms or the location of the house:

> – The most frequently encountered situation is that the house is shown to be larger than it really is. This is because the client does not even want to see it when you tell the truth [. . .].
>
> – They describe the location of the property differently. They say that it is close to the subway and take the client to a very distant place.
>
> – Ads may contain false information on neighborhood relationships, transportation facilities, etc. [. . .].
>
> - There are agents who know that the property has a problem and withhold it from the client.

Product advertisement also benefits from visuals in addition to text. REAs stated that it was possible to face examples where visuals do not reflect the reality:

> – Ads contain photographs of only good sections of the house. Problems are not mentioned [. . .].
>
> – They can inflict hardship on their customers with misleading visuals.
>
> – Some REAs use photographs of other houses.

3.3.2.2.2 Unethical behaviors encountered during the sales/leasing process. Interviewees stated that unethical behaviors that lead to a lack of trust were also frequently encountered during the sales and leasing stages. The unethical behaviors in the sales and leasing process give rise to unfair competition and undeserved gains.

The *unethical behaviors* in the sales and leasing process, *giving rise to unfair competition,* resulting in a lack of trust in relations between REAs themselves, rather than between clients and agents. According to the interviewees, the unethical behaviors that lead to unfair competition include marketing products not included in an agent's portfolio, speaking ill of products other than one's own portfolio and convincing the client of another agent to work with him or her by charging a lower brokerage fee than that legally stipulated:

> – They take others' business by charging lower commissions. – They aim to sell quickly. They cut their own throat.
>
> – They steal others' clients.

The *unethical behaviors* in the sales and leasing process, *giving rise to undeserved gains,* in turn, result in a lack of trust in relations between REAs themselves and between clients and agents. Interviewees reported unethical behaviors that lead to undeserved gains such as to charge higher brokerage fees by inflating the price, to keep clients waiting to sell the

property at a higher price, to take security deposits from one than one client for a single property and to sell or lease a property to more than one person:

> – Price transparency does not exist. They do not let the owner and the client meet, they take more money from the client and tell the owner that they sold the property at a lower price [. . .].
>
> – Recently, an REA deceived the clients here. He left the same apartment to more than one person and collected brokerage fees from all and fled. These kinds of situations prevent people from trusting REAs [. . .].

3.3.2.2.3 Unethical behaviors encountered during the agent's mediation/facilitation of the communication between buyer and seller.One of the essential functions of RE brokerage is to bring buyers and sellers together. When the communication between the parties is established, it is essential to create an atmosphere of trust. However, the data derived from the interviews show that unethical behaviors can be seen even at that stage, which harms the atmosphere of trust in the communication of the REA with owners or clients.

The primary reason for the *problems that real estate agents have with owners* in the mediation process is that they try to market the property without making a contract with the owner or complying with the contract terms. Some REAs start marketing the property without waiting for the execution of a contract and at a time when they have not yet reached an agreement on the selling price with the owner. As a result, they lose the owner's trust, the owner decides not to continue with the sale of the property and buyers are misled.

Another *problem that REAs have with clients* in the mediation process is that a buyer attempts to directly contact the owner by eliminating the REA to save on brokerage fees.

3.3.3 Compared to corporate real estate companies, small real estate agencies are increasingly losing their "reliability." According to employees in the sector, small RE agencies lose their reliability because they have a higher propensity to engage in unethical behavior compared to large RE brokerage companies. This is reflected by the words of an REA as follows:

> – Clients increasingly prefer large RE brokerage companies. Because it is safer, and everything is based on official documents. Small RE agencies are rather preferred by those who do not want a contract.

The most interesting issue raised by small RE agencies during the interviews is that some of them find the ads of large RE brokerage companies more reliable. The REAs interpret this situation as follows:

> – I think that the ads of large RE brokerage companies are more reliable because most REAs give false information in ads.

3.4 Evaluations of large real estate brokerage companies regarding unethical behavior

According to the data obtained from focus group interviews, unethical behaviors can be classified under two headings as *those encountered due to the sector's structural problems* and *those encountered during the delivery of RE brokerage service*:

> Unethical behaviors encountered due to structural problems of the sector.

3.4.1 The lack of any mechanism that oversees the process in real estate practice. According to large RE brokerage companies, one of the main reasons for encountering unethical behavior is the lack of a supervising mechanism overseeing RE practices, leading to

excessive informal sector activity. Clients doing business with informal REAs face unethical behavior in various stages of the process and may suffer both time and money losses. This causes REAs to lose their reliability in the eyes of society.

3.4.2 That the qualifications which real estate agents should possess to operate in the sector are not legally defined. According to large RE brokerage companies, one of the primary reasons for facing unethical behavior in RE practices is the low entry barriers to the market and that anybody can be an REA. As laws do not define the qualifications that an REA should possess, people who do not have any qualifications can choose this profession. These people who do not have any specialty or educational formation engage in brokerage in return for exceptionally low fees and lead to unfair competition. According to large RE agencies, clients prefer RE agencies charging extremely low brokerage fees to RE agencies that provide high-quality services:

> Unethical behaviors encountered due to structural problems of the sector.

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> Unethical behaviors encountered in the delivery of real estate brokerage service.

3.4.5 Unethical behaviors encountered during the sales/leasing process. At land registries, where purchase and sales are concluded, the properties' sales prices are shown lower than the actual sales prices. This unethical practice that provides economic gains to the seller, buyers and RE brokers causes the state to gain lower income tax.

Such as small RE agencies, large RE agencies also stated that buyers or sellers tend to refrain from paying a brokerage fee by eliminating the REA.

Another problem that was raised during focus group interviews was the lack of a standard in *property pricing*. If buyers are found, properties with similar properties are sold at quite different prices. The lack of an overall appraisal system, the fact that properties are traded at speculative values and that REAs support such a process represents another significant ethical problem of the sector. That even the apartments in the same building are sold at different prices, which reduces trust in REAs.

3.4.6 Unethical behaviors encountered during the agent's mediation/facilitation of the communication between buyer and seller. Large RE brokerage companies believe that they offer a higher quality service than small RE brokerage companies. Large RE brokerage companies state that small RE brokerage companies do not like obligations such as archiving, standard apparel, wearing overshoes and wearing ties, which reflects negatively on their quality of service.

During focus group interviews, they pointed out that brokerage activities were carried out walking on the streets before the digitalization of the RE sector, which was better suited to small RE agencies, but not a good practice for large corporations.

3.5 Potentials of the new regulation

Both small and large RE brokerage companies see the lack of a comprehensive regulation regarding the profession as the main reason for unethical behavior. In this context, it is believed that the new regulation can eliminate some of the unethical behaviors; on the one hand, there are concerns as to its applicability the other hand. The comments of REAs on the new regulation were analyzed in the context of unethical behavior categories defined above.

3.5.1 The potential to eliminate unethical behaviors encountered due to structural problems of the sector. REAs agree that with the new regulation, informal activity in the sector will come to an end and with the activation of inspection mechanisms, brokerage activity will be carried out more professionally. Therefore, REAs will regain the trust of society over time:

> It will give an end to informal RE brokerage. It will form an atmosphere of trust. Implementation of the regulation will be good for us, i.e. the sector.

Both small and large RE brokerage companies believe that people engaged in brokerage through online platforms and those who do not have a specific address or office will not carry out brokerage activities after the enactment of the new regulation, which will reduce ethical problems in the sector.

REAs believe that owing to the new regulation, RE brokerage activities will be carried out only by competent people who have professional qualifications; thereby, high-quality and professional services will be offered.

Nevertheless, they think that several RE brokerage offices will be closed as they will not meet these requirements, leaving many people unemployed:

> Those REAs who conduct their business responsibly will survive, and those who do not will be eliminated. *The number of survivors will be sufficient to meet the demand in the market. I have a good feeling about the new regulation as it will bring trust and quality to the market.*

According to the large RE brokerage companies, the new regulation will force small RE brokerage companies to institutionalize. However, small RE brokerage companies that fail to meet the financial burden imposed on them by institutionalization will shut down their business, and their agents will start working for large companies.

3.5.2 The potential to eliminate unethical behaviors encountered in the delivery of real estate brokerage service. Small RE agencies are concerned over the potential to eliminate unethical behaviors encountered in the delivery of RE brokerage services. They express various opinions on whether the new regulation will successfully solve problems such as introductory texts or visuals containing false or misleading information or behavior leading to unfair competition or undeserved gains or the problems between agents and owners or clients.

According to small RE agencies, sales transactions will not be closed without REAs under the new regulation, and this will end the buyers' and sellers' attempts to eliminate the REA to avoid brokerage fees. Although it is agreed that it will not be possible to close a purchase or sales without retaining a broker, the reduction of brokerage fees in the new regulation is criticized.

4. Conclusion

In the literature, some of the studies that investigate the ethical issues encountered in RE practices discuss unethical behaviors encountered in the RE industry and their causes (Miller, 1999; Okoruwa and Thompson, 1999; Boyle, 2000; Braswell and Poe, 1992; Allmon and Grant, 1990; Brinkmann, 2000; Dumpe, 2015), whereas some of them address the sufficiency and appropriateness of existing standards (Waples *et al.*, 2009; Thorne LeClair and Ferrell, 2000; Brumback, 1991; Treviño and Brown, 2004; Treviño and Nelson, 2007; Valentine and Fleischman, 2004; Sims and Brinkman, 2003; Conway and Houlihan, 1992; Larsen *et al.*, 2007) and contribute to the development of standards regarding professional ethics.

These studies show that unethical behaviors prevail in RE brokerage services. Unlike the countries addressed in the studies cited, the lack of a comprehensive legal arrangement on RE brokerage services in Turkey and especially to be a much greater number of unregistered real estate agents in Istanbul – therefore, the number of real estate agents operating in the sector is also unknown – frequently leads to unethical behaviors.

Besides, many studies in the current literature examine the role of demographic characteristics of real estate agents such as age, gender, academic requirement and the like in the emergence of unethical behavior (Lee, 1981; Mehta and Kau, 1984; Vitell and Festervand, 1987; Becker and Fritzsche, 1987; Izraeli, 1988; Forte, 2008). Undoubtedly, these studies have results that make the relationship between demographic characteristics and ethical behavior important. However, due to the Turkish real estate sector's male-dominated status and vocational training processes have just begun to be built; it becomes meaningless to deliberate the relationship between ethical behaviors and demographics. It is frequently discussed in the sector and the daily press that most real estate agents do not have professional training that affects the service's quality and increases unethical behavior. However, neither the professional competencies of real estate agents nor unethical behavior in the real estate sector has been scientifically investigated.

Nevertheless, this matter has been discussed in popular media channels, but not studied in a scientific context. Although the regulation on "trading of immovable properties," which was issued in 2018 and will be implemented effective from 2020, appears to aim at solving, mainly, ethical problems in RE brokerage; it is a matter of discussion whether a regulation that does not rely on scientific research data, prepared without seeking the opinion of the actors in the sector, can be successful or not.

Particularly in interpersonal relations, ethics is closely related to the concept of trust as Niker and Specker Sullivan (2018) mentioned. According to the research results, trust is an essential phenomenon in the RE brokerage profession due to the lack of service practices based on mutual trust between the parties. Given the fact that trust is such an essential phenomenon in the RE industry, hesitations arise when the primary problem in the sector is defined as the unethical behaviors that are frequently encountered in the sector and the society does not trust REAs due to such behaviors.

Based on the research data, unethical behaviors that damage trust in RE practice are classified under two basic categories as follows:

(1) unethical behaviors encountered due to structural problems of the sector; and

(2) unethical behaviors encountered in the delivery of RE brokerage service.

Both large and small RE agencies think that the new regulation will successfully solve the sector's structural problems. It is believed that the new regulation will reduce informal activities, prevent unrecorded employees or people without professional qualifications from

rendering brokerage services and will, therefore, ensure that brokerage services with higher quality will be offered.

However, it is argued that the new regulation does not have a very comprehensive content regarding the delivery of RE brokerage service. The buyers' and sellers' attempts to avoid paying a brokerage fee by eliminating the REA will be prevented by the "requirement imposed on the parties to have their REAs." The new regulation may prove insufficient in preventing unethical behaviors seen during the introduction stage, the buying-selling stage and the mediation stage.

On the other hand, large RE brokerage companies are inclined to seeing unethical behavior as a problem generally arising from informal employees and small RE brokerage companies. They criticize small RE agencies for having a low quality of service, charging lower brokerage fees, causing unfair competition, engaging in behavior enabling them to have undeserved gains and failing to render a quality consulting service. In this context, it may be said that large RE brokerage agencies regard having a corporate structure as a mechanism that prevents unethical behavior.

Moreover, they believe that part of the small RE brokerage companies will withdraw from the market as they will not meet the requirements of the new regulation, notably the requirement to obtain a professional competence certificate.

In this context, although it is not included much in the current literature, it is suggested in this study that informality is one of the main reasons for the emergence of unethical behaviors, as both corporate and small-scale real estate agents have intensely stated.

Both small and large RE brokerage companies share the opinion that digitalization has changed the RE practice. Based on the result of Ullah *et al.*'s (2018) study states that REA selection was used to be made according to the recommendations of friends or neighbors before the online RE platforms, but now, people find a house on an online platform and work with the REA who lists that property. As Dumpe (2015) mentioned, despite the facilitation and improvement of digitalization to the RE sector, some people use digitalization as an instrument for their unethical behavior such as fraud, misinformation, creating an ad with photographs of another house and aggravates the concerns over the reliability of REAs in the sector significantly compared to the past.

In Turkey, the State took the steps in regulating RE practice, including also online property trading (such as not being able to post an ad without an I.D., assigning an I.D. to every property and allowing only one ad to be published for each property) are regarded as positive in terms of reducing unethical behavior in online property trading.

With these steps in regulation, it is foreseen that malicious people's intensity will be reduced in real estate practice. Also, it has to be considered as an important step for real estate practice to prevent fraud.

The research, which is the subject of this article, is limited to the city of Istanbul and predominantly small RE brokerage companies. However, it is possible that the new regulation can be improved by scientific research that covers the country at large, contains the views of all actors in the sector and is contributed by specialists from different disciplines. Consequentially, the RE brokerage industry is a sector where the relationships between the parties are significant and it will be an inadequate effort to set professional standards without an in-depth analysis of the parties' profile and views.

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