

# ***The Influence of Information Disclosure on Real Estate Buyers' Behavioral Decisions in the New Media Era***

## ***- A Research Perspective Based on Behavioral Economics***

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**Abstract:** Information disclosure in the new media era has an important influence on real estate buyers' behavioral decisions. This paper studies the influence of information disclosure on real estate buyers' behavioral decision-making in the media era based on existing literature. It summarizes the status quo and characteristics of information disclosure in the media era; from the perspective of behavioral economics, it analyzes the process and reasons why these status quo and characteristics affect buyers' decision-making: herd behavior makes buyers more inclined to follow the decision of the public, the framing effect causes buyers to make impulsive consumption, and the preferential payment policies of the developers also motivate buyers to make choices. It also reveals the mechanisms behind them; it is expected to provide effective practical help for both sides of the real estate market and the development of the media market.

**Keywords:** new media era, information disclosure, real estate buyer behavior, Behavioral Economics.

## **1. Introduction**

With the rapid development of the media industry, the speed, breadth and depth of distributing information have increased unprecedentedly. It has greatly changed the way people acquire and process information. For the real estate market, the change in information disclosure is particularly significant, which not only affects the transparency of the real estate market, but also profoundly affects the behavioral decisions of real estate buyers.

As an important economic industry, real estate often requires a large amount of information to support its investment decisions. Buyers need to consider a number of factors, such as location, price, government policies, etc., when making purchasing decisions. And in the media era, the acquisition and dissemination of the information has changed significantly. The media, as an important channel of information dissemination, not only provides rich and diverse real estate information, but also provides real-time analysis of the fluctuation of the real estate market through news reports, commentaries and analyses.

Many scholars have already conducted in-depth studies about the relationship between information disclosure and the real estate market. Scholar Wang Tao explored the impact of disclosure quality on

the financial performance and market performance of real estate companies in the light of the relationship between disclosure quality and firm performance in the real estate market in 2019. In addition, some scholars found that the fluctuation of house prices has a significant impact, and the positivity and negativity of the media's attitude towards the event directly affects the buyer's decision. However, most of these studies focus on the single dimension of media attitude, and the analysis of how disclosure affects buyers through behavioral economics theory is a direction that needs to be explored.

Based on the existing studies, this paper investigates the influence of information disclosure on real estate buyers' behavioral decisions in the media era. Firstly, it explores the status quo and characteristics of information disclosure in the media era and analyzes the process of how these status quo and characteristics affect the decision-making of buyers; and analyzes the reasons for information disclosure's impact on buyers' behavioral decision based on the perspective of behavioral economics.

The entry point of this paper is to combine the new features of information disclosure in the media era with the real estate buyer behavioral decision process. This paper aims to reveal the logic and law of the influence of information disclosure, and to provide practical help for both sides of the real estate market and the development of the media market.

## 2. Literature Review

From the point of view of existing research, the relationship between information disclosure and the real estate market has been analyzed in the dominant position, the main body of its research on information disclosure and the real estate buyer's market is mainly to develop the discussion. As the relationship between disclosure and buyers in the real estate market is rarely discussed, basically in a state of blank, the lack of scientific and rigorous academic research. The impact of information disclosure on the above two, usually mostly in the media reports and other information transfer port. It can be seen that the research on this topic has not been emphasized by academics, which is not in line with the reality of promoting the healthy and orderly development of the real estate market, and shows the characteristics of academic research lagging behind the requirements of practice.

In the existing related research, the research mainly focuses on information disclosure and the stock market in the capital market. It focuses on the content, form and the role of the media in information disclosure. It is pointed out that regarding information transparency and market reaction. Transparent information disclosure can reduce market uncertainty and improve market efficiency. Timeliness and accuracy of information disclosure are seen as deciding factors in enhancing buyer confidence. For example, Zhang, Chengwu and Wu, Huaqiang et al.[1] point out that when positive media reports and optimistic analysts' expectation work together, the mechanism of "information over-concern bias" is triggered, which reduces the stock returns of listed companies. They also emphasize that the strengths of media coverage, analysts' forecasts and the "over-attention bias" mechanism are significantly higher in highly marketized regions than in low marketized regions, which may be due to the fact that firms in highly marketed regions are more likely to be reported by the media and paid attention to by analysts, which in turn generates a stronger attention effect. Wang, Wei, and Jiang, Gaofeng[2] show that increased disclosure by listed companies helps to reduce the cost of equity capital. Zeng Ying and Lu Zhengfei[3] suggest that the quality of disclosure of listed companies in China will have a positive impact on their cost of equity financing. It can be seen that as far as the research on the relationship between information disclosure and capital market is concerned, the existing literatures all agree that information disclosure has an impact on capital market.

From the view of the above literature, most of the studies are carried out with traditional economic theories, and in general, the main use of quantitative research, the lack of behavioral economics theory from the research literature. From the perspective of research object, the research object of the

existing literature is relatively broad, focusing on the capital market, especially the stock market, and lack of research on the real estate market, especially with the buyer in the real estate market as the object of the research literature is even less. Research on different groups of buyers in the real estate market is even less common. In the real estate market, the buyer market as the demand side, its purchase behavior directly determines the purchase decision, and information disclosure as an important reference value for the buyers as a source of information, is highly concerned about the buyers. Therefore, this paper studies the impact of information disclosure on real estate buyer behavioral decision-making in the media era, which can not only make up for the shortcomings of existing studies, but also provide a better research basis for realistic policy decisions.

As the real estate market buyer's purchasing decision is not a single factor can affect, but in a complex social environment, based on the buyer's information and psychological behavior to make the decision under the judgment of the comprehensive factors, the buyer for the purchase decision-making behavior of the definition of the decision-making under the limited rationality of the decision-making point, can be seen in the traditional economics in the assumption of the rational economic man premise, in the new media. It can be seen that the assumption premise of rational one in traditional economics is particularly insufficient in the new media era, and it is difficult to explain the decision-making behavior of limited rational economic man in reality. Therefore, according to the shortcomings of the existing literature, this paper applies the theoretical perspective of behavioral economics to study the impact of information disclosure on real estate buyers' behavioral decision, which, on the one hand, can enrich and expand the content and scope of the research in this field, and on the other hand, can provide the theoretical value as well as the real-life experience for the promotion of the healthy development of the real estate market.

### **3. The current situation analysis of information disclosure on real estate buyer's behavioral decision-making in the new media era**

At present, the speed, breadth and depth of new media have been greatly improved, and new media, as the main collector, processor and disseminator of information, have greatly improved the efficiency of market information transmission and influenced the behavioral decisions of buyers. The role of various new media reports not only attracts buyers' attention, but also effectively helps buyers to re-categorize information, greatly improving the efficiency of information acquisition and greatly reducing the cost of acquiring information, so that buyers can collect a larger set of information before making future investment decisions. Despite the many benefits of information disclosure, there are still some problems. Among them, information asymmetry and information overload are topics that can be studied in depth.

In the real estate market, information between buyers and sellers is usually asymmetric. The seller has more information about the real condition of the property, and this information asymmetry can cause the buyer to make imperfectly rational decisions. Coupled with this, information overload due to disclosure makes it possible for buyers to be overconfident in the face of a large amount of information, believing that they will be able to fully understand and utilize it. However, too much information may, on the contrary, lead buyers to ignore key influencing factors and make irrational decisions.

In the case of the Chengdu real estate market in recent years, due to the economic downturn caused by the epidemic, some developers used new media platforms to release false promotional information, which led to a sharp rise in demand for the property in the short term. Many buyers, driven by information asymmetry and panic, hastily purchased the property, only to find out that the so-called top-material hardcovered houses were unwarranted, which ultimately led to a large number of buyers suffering financial losses. The case reflects the risk of asymmetric information dissemination in the new media era, resulting in market volatility and poor decision-making by buyers.

#### **4. Reason analysis of information disclosure on real estate buyers' behavioral decision-making in the new media era under the perspective of Behavioral Economics**

##### **4.1. Mechanism of Herd Behavior-induced Submissive Consumption Decision-Making Mechanisms**

Jiang Duo [4] pointed out that herd behavior, or herd mentality, is a typical phenomenon in the consumer market, which refers to the consumer's behavior of imitating others to make consumption decisions in uncertain situations. From the real estate market to see, the herd behavior is also inseparable from the following factors.

###### **4.1.1. Social media**

Social media and Internet Word of Mouth (IWOM) have a powerful spread and influence in the new media era. Buyers often refer to comments on social media and others' evaluations in the decision-making process of purchasing a home. As a result, public opinion and discussion can significantly influence a buyer's psychological expectations. For example, when certain properties are widely reported or recommended by the media, it may increase their market recognition as a means of influencing a buyer's decision. In this case, buyers may be more likely to be influenced by public opinion than to make decisions independently. It can be seen that social media has contributed to the consumer decision-making behavior of buying a home from the crowd in the real estate market.

###### **4.1.2. Media recommendations and expert opinions**

In an era of information overload, buyers often rely on media recommendations and expert opinions to simplify the decision-making process. If certain properties are recommended by authoritative media or positively evaluated by experts, it will enhance their market recognition. When confronted with such information, buyers may be inclined to follow expert opinions rather than conduct independent analysis, further exacerbating the effect of herding behavior.

###### **4.1.3. Market Trends**

Market trends and collective behavior are important factors influencing buyers' decisions. Discussions about market trends on new media platforms, such as the rise and fall of house prices and the space for appreciation, often become important references for buyers' decision-making. Especially when there is a rush to buy in a certain property market, buyers are prone to follow the herd and make quick purchase decisions for fear of missing the opportunity. This provides the basis for the effect of herd behavior to occur.

###### **4.1.4. Information Overload**

Information overload is a common phenomenon in the new media era. When buyers are faced with a large amount of information input, they often find it difficult to choose. In this case, buyers may be more inclined to rely on the decisions of others to aid their own selection process. This dependence exacerbates the occurrence of herd behavior, causing buyers to unconsciously follow the lead of the multitude.

In summary, information disclosure in the new media era influences the decision-making behavior of real estate buyers through a variety of ways, and herd behavior becomes a prominent feature of this process. Understanding the psychological mechanism and influencing factors of herd behavior can help us better predict and guide buyer behavior, so as to make more effective strategic planning in the real estate market.

From the perspective of behavioral economics theory, the mechanisms behind the herd consumption decision triggered by the above herd behavior are as follows.

The herd behavior triggered by the herd consumption decision is a kind of group identity response, in the group, the reference dependence affects people's reference decision. Reference Dependence refers to an individual's judgment of the value of gains and losses based on a certain reference point. Specifically, individuals perceive an outcome as a gain when it is above a reference point. This perception significantly affects people's decision-making behavior and psychological feelings. Among consumer decisions, people are also influenced by reference points when buying goods or services. For example, real estate buying through social media, media recommendations and expert opinions, market trends, and interest overload, such as price comparison, brand reputation, social comparison and other factors, may become a reference point for consumer decision-making.

In the new media age of disclosure, new media influences buyers' reference points by presenting a wealth of information and comparative data. For example, real estate advertisements and market analysis articles provide comparative benchmarks for buyers, making a particular house price or payment method a psychological anchor point that influences their perceptions of price and value. Developers use new media pricing strategies to set psychological anchors that make buyers more receptive to current selling prices. At the same time, by showing the relative merits of other properties in comparison, buyers tend to make decisions based on relative gains and losses rather than absolute costs. New media's ability to update in real time allows buyers' reference points to change constantly, and dynamic market information helps buyers re-calibrate their expectations.

In addition, comments and discussions on social media significantly influence buyers' reference points, and word-of-mouth, expert recommendations, and others' buying experiences can be important references. This information profoundly influences buyers' behavioral decisions in the real estate market by setting and adjusting their psychological reference points, making them more likely to rely on relative ratings rather than absolute values.

#### **4.2. Mechanisms of impulsive consumption decision-making mechanism triggered by framing effects**

Framing effect refers to the phenomenon that a change in framing leads to a preference shift in an individual's choice of options for the same issue. In the new media era, the way and speed of information dissemination have changed significantly, and the channels through which buyers access information have become more diversified. However, the influence of the form and content of information disclosure on buyers' behavioral decisions cannot be ignored. Framing effects play an important role in information disclosure in the real estate market

##### **4.2.1. Influence of the way information is presented**

Real estate information can be presented in a variety of ways, such as text descriptions, pictures, videos and so on. On new media platforms, real estate advertisements often utilize illustrations to show the advantages of a house. For example, with beautiful pictures and video presentations, buyers may be more easily influenced by positive messages and ignore potential risks. This positively framed presentation of information may lead to overly optimistic decisions by home buyers.

##### **4.2.2. Public opinion in social media**

In social media, homebuyer decisions are easily influenced by the opinions of others. Real estate companies can steer the direction of public opinion through well-designed disclosure strategies. It prompts buyers to make impulsive consumption decisions.



From the perspective of behavioral economics, these two framing effects in the real estate market bring about impulsive consumption decisions by buyers, which is a manifestation of the “certainty effect”. Buyers are influenced by the way information is presented, the direction of public opinion in social media, etc., ignoring the potential risks and attaching more importance to the certainty of the benefits, which leads to the illusion that “there is no store after leaving this village”, and generates the impulsive desire to buy “as soon as you see a good deal and put it in your pocket”.

#### **4.2.3. Avoidance of negative information**

Compared with positive information, negative information is usually presented in an inconspicuous way or described through specialized terminology, making it difficult for non-professional buyers to understand. This hiding or weakening of negative information is a typical application of the framing effect, which makes buyers tend to ignore such information in the decision-making process and thus may make irrational purchase decisions.

Similarly, from the perspective of behavioral economics, this avoidance of negative information created by the market is in fact a manifestation of the phenomenon of loss aversion in the reflex effect, highlighting the certainty effect, which triggers irrational purchasing decisions for buyers in order to obtain the certainty effect.

#### **4.3. Mechanisms of impulsive consumption decision-making mechanism triggered by framing effects**

Payment Isolation Theory (PIT), one of the prospective theories of behavioral economics, states that people tend to segregate their expenditures from specific consumption or activities when making decisions to lessen the impact of their expenditures on their overall budget or financial situation. This psychological segregation helps people to perceive the expenditure as less burdensome, which in turn influences their spending decisions. In the real estate market, selling a home also captures the buyer's psychology about the pressure of high payments by designing a more attractive payment plan for the buyer to attract more potential buyers. There are two main types of payment segregation specific to the real estate market: decentralized payments and time segregation. Segregation: Spreading out a large payment into smaller payments to minimize the pain of each payment. Time Segregation: Spreading the total amount of the payment over time so that each payment does not seem overwhelming. For example, choosing to pay in installments rather than paying the full amount at once. The most common of these is time segregation. Most developers nowadays attract buyers with low down payments, reducing the financial pressure on the buyer by spreading the total purchase cost to different points in time. New media platforms can help buyers focus on each installment rather than the overall cost through consistent content push and regular information updates.

#### **4.4. Mechanism of impulsive consumption decision-making triggered by negative information avoidance**

The theory of reflexive effects is part of the prospect theory of behavioral economics, which describes people's decision-making preferences in the face of certainty and uncertainty about outcomes. The theory states that people exhibit different risk attitudes when dealing with gains and losses: a tendency to be risk-averse in the face of gains, and a tendency to take risks in the face of losses. This effect reflects the fact that people are more sensitive to losses than to gains.

In real estate buyer behavioral decision-making, new media influence buyers' risk perception by providing information on market trends, price forecasts, and investment returns. When buyers receive positive information about the potential for property appreciation, they are more likely to adopt a conservative investment strategy to avoid risk. And when faced with information about market

uncertainty or the risk of property depreciation, they are likely to take bolder decisions to avoid potential losses. News reports in the media and buyers' sharing of their home-buying experiences can also have this effect.

Managers rarely devote to information disclosure the careful attention and thorough planning accorded to other corporate activities, such as production, marketing, and finance.

## 5. Conclusion

To conclusion, information disclosure in the new media era has significant influence on the real estate buyer's behavioral decisions from multiple perspectives. Managers previously devote rarely to information disclosure the careful attention and thorough planning accorded to other corporate activities, such as production, marketing, and finance.[5] The current situation of information disclosure promotes more and more companies to use this technique to attract costumers, though. Therefore, companies analyze several lights of factors that will lead costumers to make purchase decision. By amplifying herd behavior, triggering impulsive actions through framing effects, and influencing buyers' perceptions of market risks, the flow and presentation of information can substantially impact decision-making processes. As the media environment evolves, the transparency and accuracy of disclosed information become even more crucial, helping to guide buyers toward informed and rational decisions. This study emphasize the importance of understanding these dynamics, not only for individual buyers but also for fostering a healthier, more stable real estate market.

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