

Bridging Ethical Gaps in Real Estate Agency Practices: Insights from Agents and Consumers

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Abstract

The Malaysian real estate sector significantly contributes to national revenue but faces ethical challenges impacting trust and integrity. This study examines ethical issues in marketing, professional relationships, and agent-client relationships. A preliminary survey was conducted among 30 real estate professionals and 30 consumers, revealing a perceptual gap: agents rate their compliance moderately, while clients view them positively in transparency and communication. The findings highlight opportunities for agents to improve client relations through enhanced transparency and communication. Strengthened professional development and regulatory oversight are recommended to build trust, improve client satisfaction, and foster stability, ultimately enhancing the sector's reputation and long-term growth.

Keywords: Ethical behavior; Real estate agent; Client-Agent relationship; Marketing

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1.0 Introduction

The Malaysian real estate market significantly contributes to the nation's economic development, ranking as the second-highest source of tax receipts for the Inland Revenue Board (LHDN) (Ung et al., 2018). With over 41,000 professionals, including Real Estate Agents (REAs), Probationary Estate Agents (PEAs), and Real Estate Negotiators (RENs) (BOVAEP, 2024), the industry plays a crucial role in Malaysia's service economy. However, it faces ethical challenges, including non-compliance with advertising rules, unregistered RENs, disputes over deposits, misrepresentation, and excessive commissions. A preliminary survey conducted with past presidents of the Malaysian Institute of Estate Agents (MIEA) and senior practitioners from several prominent estate agency firms revealed that high volume of complaints related to advertising violations (over 50%), disputes over unregistered RENs (around 20%), and other misconduct such as misrepresentation and misleading practices. RENs' conduct constitutes a majority of complaints, while REAs are held

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accountable for their supervision. This study aims to examine ethical concerns in marketing and promotions, professional relationships, and client interactions within the Malaysian real estate sector. The objectives of this study are to evaluate existing regulations and professional codes of conduct regulating estate agency practitioners (i.e. REAs, PEAs and RENs) and to examine to what extent (a) marketing & promotions factor (b) relationship between fellow estate agency practitioners and (c) relationship between clients and estate agency practitioners influence ethical decision-making in estate agency practices.

2.0 Literature Review

2.1 Insights from Past Research and Theoretical Frameworks in Real Estate Ethics

Previous studies on ethical practices in real estate highlight challenges such as commission-based income models, unequal knowledge between agents and clients, and insufficient ethical training programs (Braswell & Poe, 1992; Waples et al., 2009; Treviño & Brown, 2004). Additionally, ethical dilemmas often vary by demographics and financial status (Okoruwa & Thompson, 1999), and trust in real estate agents remains low, as evidenced by Gallup surveys ranking them poorly in ethical dependability. While global research provides valuable insights, studies specific to Malaysia are limited. Ting et al. (2021 & 2024) identified ethics criteria and benchmarked practices but did not address issues like non-compliance with advertising rules, non-registration of Real Estate Negotiators (RENs), co-agency disputes, or commission-related misconduct. These gaps highlight the need for a localized study incorporating principal-agent and stakeholder theories to examine ethical challenges in Malaysia's real estate sector. Principal-agent theory focuses on conflicts of interest, information asymmetry, and the misalignment of incentives between clients (principals) and agents, extending to the supervision of RENs by REAs and emphasizing accountability for ethical lapses (Jensen & Meckling, 1976; Eisenhardt, 1989). Stakeholder theory broadens this perspective by addressing the interests of all affected parties, including clients, fellow practitioners, regulatory bodies, and society, emphasizing transparency, fairness, and trust (Freeman, 1984). Together, these theories provide a framework for understanding agent-client and agent-agent relationships while guiding reforms to align industry practices with broader ethical and societal expectations.

2.2 Document analysis for all the acts, rules, standards and code of conducts

Detailed document analysis was conducted on Act 242, Rules 1986, Malaysian Estate Agency Standard, RISM Constitution, PEPS Constitution, MIEA Ethics and Code of Conduct, RICS Constitution to identify relevant clauses related to marketing and promotion factor, professional relationships, and client-agent relationship. Thematic analyses were carried out, which helped to identify and code key themes, sub themes and keywords through inductive method (Castleberry and Nolen, 2018). The findings are discussed below:

Table 1: Summary of Clauses/ Rules for each keyword under Marketing and Promotion theme

Sub themes	Keywords	Clauses/ Rules
Signboards, Flyers, Banners	Factual Information	Section 22 (C), (Act 242); Rule 84, (Rules, 1986); Standard 6.2.1, 6.2.2, 6.2.4, (MEAS); Section 42, (RISM Constitution)
	Placement & Conditions	Section 22 (C), (Act 242); Rules 110 (2), (Rules, 1986); Standard 6.2.3, 6.2.5 (MEAS); Section 42, (RISM Constitution)
	Compliance with regulations	Section 22 (C), (Act 242); Rule 111, 116, (Rules, 1986); Standard 6.2.2, 6.2.3, 6.2.4, 6.2.5, 6.2.6, 6.2.7, (MEAS); Section 42, (RISM Constitution)
Viewings	Listing Facts	Section 22 (C), (Act 242); Rule 84, (Rules, 1986); Standard 8.2.1, 8.2.2, 8.2.3 (MEAS); Rules 27 (MIEA); Rules 1, 2, 3, 4 and 5 (RICS)
	Inspection	Section 22 (C), (Act 242); Rules 110 (2), (Rules, 1986); Standard 8.2.4, 8.2.5, 8.2.6 (MEAS); Article 27 (MIEA); Rules 1, 2, 3, 4 and 5 (RICS)
	Proper Documentation	Section 22 (C), (Act 242); Rules 102, (Rules, 1986); Standard 8.2.4, 8.2.5 (MEAS); Article 27 (MIEA); Rules 1, 2, 3, 4 and 5 (RICS)
Project Marketing	Principal-Agent Relationship	Section 22 (C), (Act 242); Rules 84, (Rules, 1986); Standard 3.3.1, (MEAS); Rules 1, 2, 3, 4 and 5 (RICS)
	Obligations	Section 22 (C), (Act 242); Rules 110 (2), (Rules, 1986); Standard 3.3.2, (MEAS); Rules 1, 2, 3, 4 and 5 (RICS)
	Types of Engagement	Section 22 (C), (Act 242); Rules 111 & 115, (Rules, 1986); Standard 3.3.3, (MEAS); Rules 1, 2, 3, 4 and 5 (RICS)

(Source: Author, 2024)

The table provides a comprehensive regulatory framework for ethical marketing and promotions in estate agency practices, categorizing key sub-themes such as factual information, placement, compliance, viewings, documentation, and project marketing. It integrates local laws (e.g., Act 242, Rules 1986) with international standards (e.g., RICS), ensuring consistency and alignment with global benchmarks. Factual accuracy and compliance are heavily emphasized, reflecting their importance in building trust and professionalism. However, the framework lacks explicit guidance on modern practices like digital marketing, detailed enforcement mechanisms, and client-centric transparency measures for documentation. Enhancing these areas would ensure the framework's relevance and adaptability to evolving industry demands.

Table 2: Summary of Clauses/ Rules for each keywords under the relationship between fellow estate agency practitioners theme

Sub themes	Keywords	Clauses/ Rules
General duties towards other REN/ PEA/ REA	Duties	Rule 96-99, (Rules, 1986); Standard 2.2.1, 2.2.2, 2.2.3, (MEAS); Section 25, (RISM Constitution) Clause 25, (PEPS Constitution); Article 27 and 28 (MIEA); Rules 1, 2, 3, 4 and 5 (RICS)
	Professional Responsibilities	Rule 96-99, (Rules, 1986); Standard 2.2.1, 2.2.2, 2.2.3, (MEAS); Section 25, (RISM Constitution); Clause 25, (PEPS Constitution); Article 27 and 28 (MIEA); Rules 1, 2, 3, 4 and 5 (RICS)
	Obligations	Rule 96-99, (Rules, 1986); Standard 2.2.1, 2.2.2, 2.2.3, (MEAS); Section 25, (RISM Constitution); Clause 25, (PEPS Constitution); Article 27 and 28 (MIEA); Rules 1, 2, 3, 4 and 5 (RICS)
Conduct in relation to exclusive listing	Exclusive Listing	Rule 97 (2), (Rules, 1986); Standard 3.2.1, 3.3.3.1, (MEAS); Section 42, (RISM Constitution); Rules 1, 2, 3, 4 and 5 (RICS)
	Exclusive Agency Agreement	Rule 97 (2), (Rules, 1986); Standard 3.2.2 (MEAS); Rules 1, 2, 3, 4 and 5 (RICS)
	Listings Agents' Responsibility	Rule 97 (2), (Rules, 1986); Standard 3.2.3, 3.2.4, 3.2.5, 3.2.6, (MEAS); Rules 1, 2, 3, 4 and 5 (RICS)
Conduct in relation to co-broking	Co-Listing Agreement	Standard 7.2.1, (MEAS); Article 27 and 28 (MIEA); Rules 1, 2, 3, 4 and 5 (RICS)
	Collaborative Practices	Rule 97 (2), (Rules, 1986); Standard 7.2.2, 7.2.3 (MEAS); Article 27 and 28 (MIEA); Rules 1, 2, 3, 4 and 5 (RICS)
	Co-Agency's Responsibilities	Rule 93, (Rules, 1986); Standard 7.2.4, 7.2.5, 7.2.6, 7.2.7, 7.2.8 (MEAS); Article 27 and 28 (MIEA); Rules 1, 2, 3, 4 and 5 (RICS)

(Source: Author, 2024)

The table above provides a structured overview of the rules and standards governing the relationship between estate agency practitioners, focusing on themes such as general duties, professional responsibilities, exclusive listings, and co-broking practices. Existing strengths include clear guidelines under Rules 1986, MEAS Standards, and constitutions like RISM and PEPS, which emphasize ethical conduct, transparency, and collaboration. However, the analysis identifies gaps such as insufficient mechanisms for dispute resolution, lack of enforcement clarity, and inadequate adaptation to local contexts, particularly in co-broking and exclusive listing arrangements. These gaps suggest the need for enhanced frameworks, including training, penalties for non-compliance, and independent mediation roles to address power imbalances and promote fair practices across the industry.

Table 3: Summary of Clauses/ Rules for each keywords under the relationship between clients and estate agency practitioners theme

Sub themes	Keywords	Clauses/ Rules
Conflict of interest	Disclosure	Rule 88, (Rules, 1986); Standard 2.2.3.7, (MEAS); Section 25, (RISM Constitution); Article 27 and 28 (MIEA); Rule 1 (RICS)
	Transparency	Rule 93, (Rules, 1986); Article 27 and 28 (MIEA)
	Acceptance of commissions	Rule 90, (Rules, 1986); Section 25, (RISM Constitution)
Fiduciary duty	Conduct of Estate Agent	Rule 84, 87, (Rules, 1986); Standard 2.2.1, 2.2.2, 2.2.3, (MEAS); Clause 25, (PEPS Constitution); Article 27 and 28 (MIEA)
	Disclosure	Rule 88, 90, 92, 93, (Rules, 1986); Standard 2.2.3.7, (MEAS); Section 25, (RISM Constitution); Article 27 and 28 (MIEA)
	Accuracy of Statement	Rule 101, (Rules, 1986); Standard 2.2.1, 2.2.2, 2.2.3, (MEAS); Article 27 and 28 (MIEA)
Client due diligence	Factual Information	Rule 100, (Rules, 1986); Standard 8.2.1, 8.2.2, 8.2.3, (MEAS); Article 27 and 28 (MIEA); Rules 2, 3, 4 and 5 (RICS)
	Inspection	Rule 110 (2), (Rules, 1986); Standard 8.2.4, 8.2.5, 8.2.6, (MEAS); Article 27 and 28 (MIEA); Rules 2, 3, 4 and 5 (RICS)
	Financial Management	Rule 48 - 58, (Rules, 1986); Standard 9.3.1,9.3.2,9.3.3,9.3.4, (MEAS); Article 27 and 28 (MIEA); Rules 2, 3, 4 and 5 (RICS)
Communicating all offers	Binding Contract	Rule 84, (Rules, 1986); Standard 3, (MEAS); Article 27 and 28 (MIEA); Rules 2, 3, 4 and 5 (RICS)
	Fee	Rule 89, (Rules, 1986); Standard 4, (MEAS); Section 25, (RISM Constitution); Article 27 and 28 (MIEA); Rules 2, 3, 4 and 5 (RICS)
	Terms of Engagement	Rule 102, (Rules, 1986); Standard 5, (MEAS); Article 27 and 28 (MIEA); Rules 2, 3, 4 and 5 (RICS)

(Source: Author, 2024)

The table outlines the key clauses and rules governing the relationship between clients and estate agency practitioners, focusing on themes such as conflict of interest, fiduciary duty, client due diligence and communicating all offers. It demonstrates a broad spectrum of guidelines aimed at promoting ethical behavior, accurate disclosures, and client protection. The rules cover essential practices like ensuring transparency in commissions, proper client due diligence, and adherence to fiduciary duties. However, the table highlights the potential for inconsistency across different standards and suggests a need for more cohesive enforcement and clearer protocols to enhance compliance and accountability across the industry.

2.2 Development of Descriptive Framework for Ethical Practices in Real Estate

This study adopts a descriptive approach to explore ethical practices in real estate, guided by themes and sub-themes derived from a thematic analysis conducted through the document analysis of various relevant acts, regulations, and professional codes of conduct that had been discussed in above section.

Table 4: Descriptive Framework Components for Ethical Practices in Real Estate

Themes	Sub themes	Keywords
Marketing and Promotion	Signboards, Flyers, Banners	Factual Information; Placement & Conditions; Compliance with regulations
	Viewings	Listing Facts; Inspection; Proper Documentation
Relationship between fellow estate agency practitioners	Project Marketing	Principal-Agent Relationship; Obligations; Types of Engagement
	General duties towards other REN/ PEA/ REA	Duties; Professional Responsibilities; Obligations
	Conduct in relation to exclusive listing	Exclusive Listing; Exclusive Agency Agreement; Listings Agents' Responsibility
Relationship between clients and estate agency practitioners theme	Conduct in relation to co-broking	Co-Listing Agreement; Collaborative Practices; Co-Agency's Responsibilities
	Conflict of interest	Disclosure; Transparency; Acceptance of commissions
	Fiduciary duty	Conduct of Estate Agent; Disclosure; Accuracy of Statement
	Client due diligence	Factual Information; Inspection; Financial Management
	Communicating all offers	Binding Contract; Fee; Terms of Engagement

(Source: Author, 2024)

Thematic analysis bridges qualitative insights with quantitative validation, particularly in positivist research (Fereday & Muir-Cochrane, 2006). The findings above can then be quantitatively tested, with themes helping interpret results. A mixed-methods approach is recommended, where the document analysis done in the first phase and tested in the second phase of the research (Naeem et al., 2023).

3.0 Methodology

This research employs methodological triangulation to enhance the validity and reliability of findings by integrating multiple data collection methods. Self-assessment questionnaires were administered to 30 real estate professionals (REAs, PEAs, and RENs), and consumer surveys were conducted with 30 respondents, using convenience sampling for both groups (Teddle & Yu, 2007). The Google Forms method was chosen for its affordability, accessibility, and flexibility (Kaplowitz et al., 2004). The self-assessments captured agents' perceptions of their practices, while the consumer surveys reflected clients' experiences. Descriptive data analysis was used to compare these results, identifying patterns and gaps in perceptions of ethical practices. Similar approaches, such as Larsen, Coleman, and Petrick (2007), have shown alignment in agent and consumer views, supporting descriptive analysis as a method for exploring professional and client perspectives.

4.0 Findings and Discussions

Thirty copies of the completed questionnaire form were successfully retrieved from real estate agents and consumers for the preliminary survey. All the data were analysed using descriptive analysis. The profiles of respondents for the self-assessment survey, revealed that most are aged 20-29 (72.7%), male (63.6%), Chinese, hold a Bachelor's degree, and practice in the Central Region. Most have 1-3 years of experience, work as Real Estate Negotiators (40.91%), focus on residential properties (63.6%), and serve individual clients (59.1%). A majority work in medium-sized or very large companies, with 77.3% receiving training in estate agency practices, often on a weekly or monthly basis (31.8%). The profiles of respondents for the consumer survey revealed that most of the respondents are aged 18-25 (37.5%), male (53.1%), hold a Bachelor's degree (68.8%), and are employed (54.7%).

4.1 Marketing and promotion theme

The findings highlight varying perceptions of estate agents and consumers regarding ethical practices in marketing and promotion, focusing on signboards, flyers, banners, viewings, and project marketing.

For signboards, flyers, and banners, agents rated themselves highly for factual information, placement, and compliance (mean: >3.5), while consumers provided slightly lower ratings, particularly for compliance, reflecting skepticism about adherence to advertising standards. This highlights an ethical concern regarding transparency and regulatory communication. Unique Context: Advertising violations are a prevalent issue in Malaysia, contributing to over 50% of complaints. Implications: Strengthening regulations, monitoring systems, and consumer education can bridge perception gaps and enhance trust.

For viewings, agents rated themselves highly for listing facts (~4.0), aligning with consumers' even higher ratings for property condition explanations. However, agents scored themselves low on documentation (~2.5), while consumers perceived better diligence (~4.0), reflecting internal process inefficiencies.

Unique Context: Malaysia emphasizes transparency in property inspections, but gaps in documentation risk regulatory violations. Implications: Digital tools for automated reporting can address documentation challenges and set a global standard for compliance.

In project marketing, consumers rated agents higher for representing principal-agent relationships (~4.0) and balancing obligations, while agents scored themselves lower for explaining engagement types (~3.0). This indicates a lack of client education, potentially leading to conflicts.

Unique Context: Malaysia’s developer-driven market creates dual obligations for agents, often causing conflicts of interest. Implications: Tailored training programs can enhance understanding of engagement terms and build trust, offering lessons for similar markets globally.

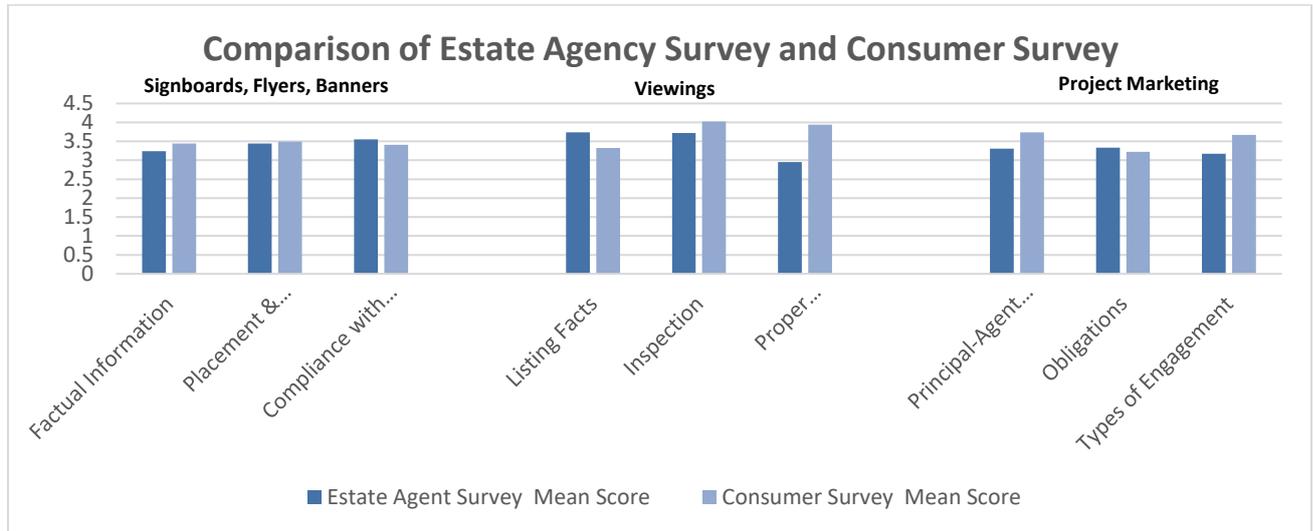


Fig 1: Findings for Marketing and Promotion Theme

4.2 Relationship between fellow estate agency practitioners theme

The survey highlights differences in how REAs, RENs, and PEAs perceive their professional responsibilities and obligations. REAs scored moderately on supervisory duties (mean: ~3.5), reflecting gaps in providing training and guidance, while RENs rated their obligations higher (~4.0), excelling in ethical property listings but struggling with peer collaboration. PEAs demonstrated moderate adherence to directives (~3.8), but lower regulatory compliance underscores systemic ethical challenges in professional oversight.

Unique Context: Malaysia’s regulatory framework holds REAs accountable for supervising RENs and PEAs, yet training gaps persist. Implications: Mandatory training programs and stricter enforcement of supervisory guidelines can improve collaboration and compliance.

For exclusive listings, agents scored highly in transparency (~4.3) and cooperation (~4.0) but lower in dispute management (~3.3) and adherence to co-agency agreements (~3.8), highlighting issues in resolving conflicts ethically.

Unique Context: Competitive pressures in Malaysia’s exclusive listings, such as client poaching, undermine trust and cohesion. Implications: Clear protocols for dispute resolution and collaborative practices can enhance trust and set ethical benchmarks.

In co-broking, agents showed strong compliance with formal agreements (~3.5) and collaboration (~4.0), but inconsistencies in documentation and co-agency responsibilities remain concerns.

Unique Context: High-stakes co-broking in Malaysia fosters competitive tensions, challenging ethical consistency. Implications: Standardizing agreements and improving documentation can boost professionalism and provide a model for ethical collaboration globally.

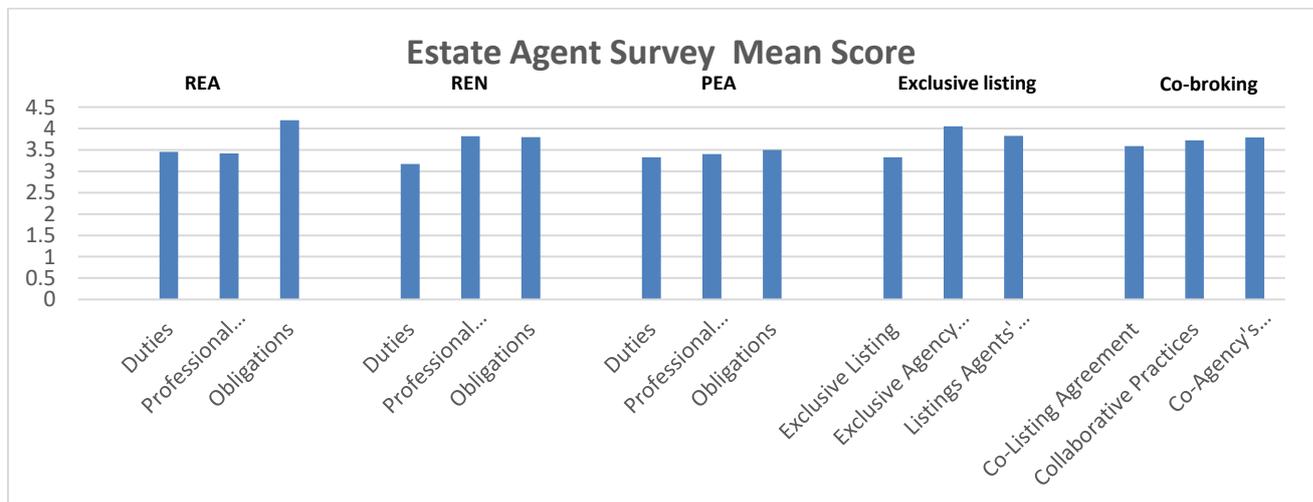


Fig 2: Findings for relationship between fellow estate agency practitioners theme

4.3 Relationship between clients and estate agency practitioners theme

In term of conflict of interest, estate agents rated themselves moderately for disclosure (mean: ~3.2) and transparency (mean: ~3.5), while clients gave lower ratings (mean: ~2.8 for disclosure). This highlights a gap in client perceptions of agents' ability to manage conflicts of interest effectively. While agents expressed confidence in acceptance of commissions (mean: ~3.8), clients perceived this less favorably, reflecting skepticism regarding ethical commission practices.

Unique Context: In Malaysia, conflicts of interest often arise due to dual representation and unclear commission structures, leading to mistrust among clients.

Implications: Establishing standardized disclosure practices and ensuring greater transparency in commission agreements can enhance trust and reduce ethical conflicts.

In term of fiduciary duty, agents rated themselves positively for aligning actions with client agreements (mean: ~3.6) and ensuring the accuracy of statements (mean: ~3.8), which closely aligns with clients' ratings (mean: ~3.9). However, clients rated agents lower in disclosure practices (mean: ~2.9), indicating a gap in prioritizing client interests and managing fiduciary duties transparently.

Unique Context: Malaysia's legal framework mandates explicit disclosure of property interests, but gaps in execution reflect inconsistencies in ethical compliance.

Implications: Enhancing training programs to focus on disclosure and client-centric communication can bridge this gap and better align fiduciary duties with regulatory standards.

In term of client due diligence, estate agents rated themselves moderately for verifying factual information (mean: ~3.2) and documenting inspections (mean: ~3.6), while clients rated these efforts more favorably (mean: ~3.8 and ~4.0, respectively). Similarly, clients showed higher satisfaction with agents' financial management practices, such as fund handling and account separation, compared to agents' own self-assessments (mean: ~2.6 for agents, ~3.8 for clients).

Unique Context: Malaysia's regulatory environment emphasizes due diligence, yet agents' lower self-assessments indicate a need for process improvements to meet client expectations.

Implications: Leveraging technology for documenting due diligence and financial transparency can enhance trust and provide a model for similar markets.

In term of communicating all offers, agents rated themselves moderately for handling binding contracts (mean: ~3.1) and explaining terms of engagement (mean: ~3.3), while clients provided higher ratings for contract clarity (mean: ~3.8) and fee transparency (mean: ~4.0). This reflects strong client satisfaction in communication areas, exceeding agents' self-assessments.

Unique Context: Clear communication is critical in Malaysia's real estate market due to its competitive environment and high client expectations.

Implications: Standardizing communication practices and utilizing digital platforms to clarify terms and fees can further improve trust and transparency in agent-client relationships.

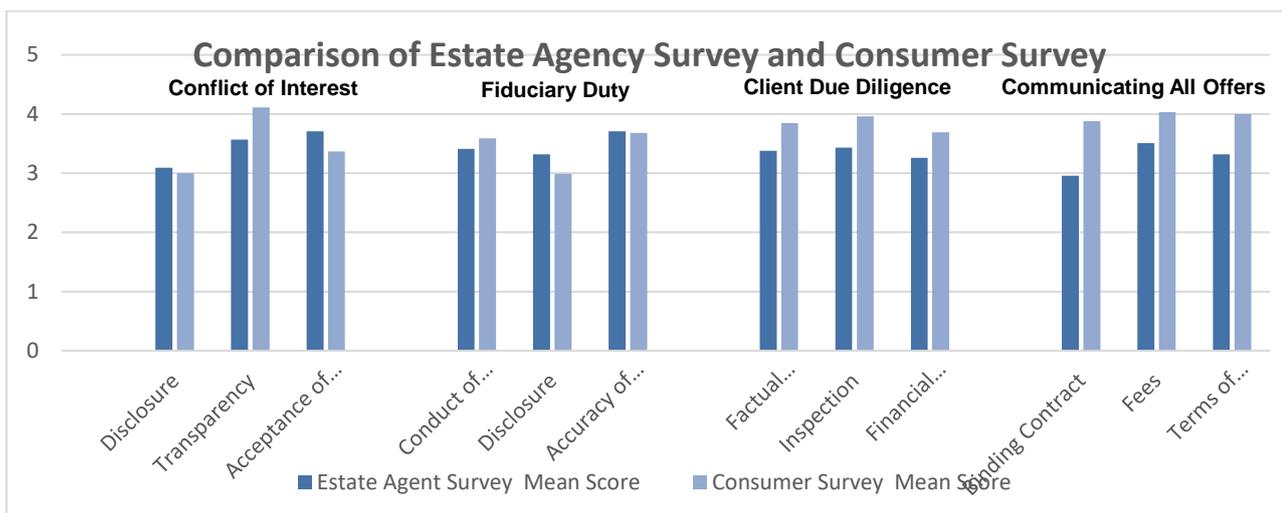


Fig 3: Findings for relationship between clients and estate agency practitioners theme

5.0 Conclusion & Recommendations

This study reveals key ethical gaps in Malaysia's real estate sector, particularly in marketing transparency, professional relationships, and agent-client interactions. Limited by a small sample size and reliance on self-assessments, the findings underscore the need for stricter regulation enforcement, tailored ethical training, and digital tools to enhance transparency. Retrospectively, this research contributes to understanding ethical challenges and provides a foundation for reforms to strengthen professionalism and trust. Future studies should validate these findings with larger samples, assess the proposed recommendations, and explore the role of technology and client education in fostering ethical real estate practices.

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Paper Contribution to Related Field of Study

This paper highlights ethical gaps in real estate practices, offering valuable insights for key stakeholders. Regulatory bodies like BOVAEP can use the findings to strengthen enforcement and align local regulations with global standards. Real estate practitioners (REAs, RENs, PEAs) benefit from targeted training to enhance transparency, communication, and fiduciary duties. Clients and consumers gain a clearer understanding of ethical obligations, fostering trust and informed decision-making. Additionally, developers and co-agency partners can adopt collaborative practices to enhance industry reputation and stability. By addressing these gaps, the study proposes strategies to improve professional standards and public trust while providing a framework adaptable to other developing markets.

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